



Proposed Fiscal Year 2004 Budget

Presented by
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City Manager
&
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CFO/Director of Financial Management

Historical City Seal

The seal of the City of Long Beach was designed in 1933 by Roland S. Gielow, a draftsman in the City's engineering department. Mr. Gielow created this seal as part of a contest and was awarded a \$150 prize for his design.

The theme of the seal is "Urbs Amicitiae" or the "Friendly City". The seal incorporates many design elements, both real and symbolic of the City of Long Beach.

At the center of focus is the "Queen of the Beaches", seated on her throne in the foreground, scepter in hand with the California "Golden Bear" at her feet. Below her lies the horn of plenty pouring forth an avalanche of fruit, agricultural and manufactured products, while perpetual sunshine lights the heavens where an airplane soars. Also depicted are the mountains and sea, a ship, the auditorium, typifying a convention city, the Rainbow pier and yachts offshore.

The lighthouse, breakwater and docks are symbolic of the harbor and the ship symbolizes commerce of the seven seas. Rail transportation is brought to the water's edge as pictured by the locomotive and factories and refineries and oil play a significant role in the pictorial structure.

To portray Long Beach's unrivaled oceanfront attractions, the artist paneled the whole with a seashell and to stress its cultural side a book of knowledge and lamp of wisdom are shown. The four stars at the top signify Long Beach as the fourth largest City in California at the time. This historic seal demonstrates all of the diverse and wonderful assets that the City of Long Beach maintains, and which benefit all who live, work and play in the City to this day.

This information is available in an alternate format by request to the Budget Management Bureau (562)570-6425.

What We Believe

The City's Business is Service

We are committed to providing quality service to our diverse community in ways that are helpful, caring and responsive.

Working Together to Serve

We believe that the success of our organization depends on the teamwork, mutual trust, and honesty achieved through commitment to the following values:

Participation

by
citizens and City team members in setting and attaining the City's goals.

Communication

with
one another and with citizens.

Courtesy

in
all personal relations.

Integrity

in
everything we do.

Loyalty

to
our community, to this organization, and to each team member.

Innovation

in
meeting the present and future needs of the City.

Responsibility

as
a team for efficient and effective delivery of services.

Pride

in
our work, in our dedication to public service, and in being the best we can be.

Elected Officials City of Long Beach

Mayor
Beverly O'Neill

City Council
Bonnie Lowenthal, District 1
Dan Baker, District 2
Frank Colonna, Vice-Mayor, District 3
Dennis Carroll, District 4
Jackie Kell, District 5
Laura Richardson, District 6
Tonia Reyes Uranga, District 7
Rob Webb, District 8
Val Lerch, District 9

City Attorney
Robert E. Shannon

City Auditor
Gary L. Burroughs

City Prosecutor
Thomas M. Reeves

City Organizational Chart

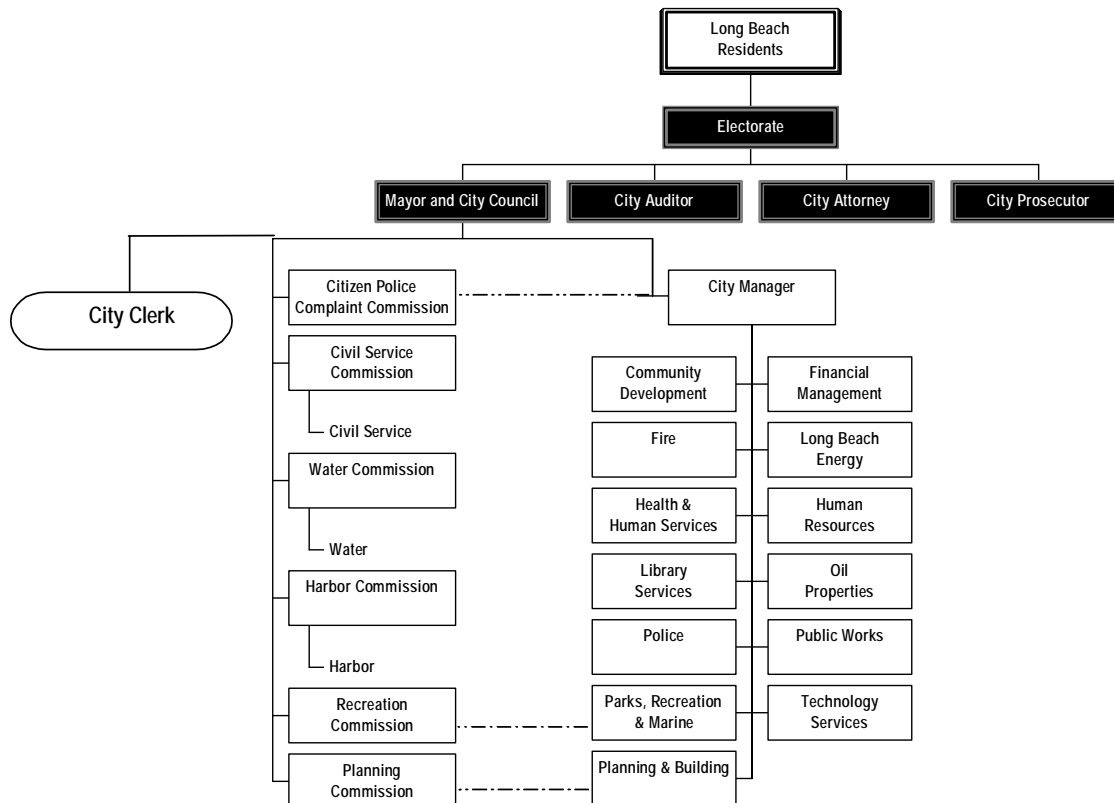


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City Manager's Budget Message

Fiscal Year 2004

August 1, 2003

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

SUBJECT: **Fiscal Year 2004 Proposed Budget**

I. Introduction

Transmitted herewith is the proposed City budget for Fiscal Year 2004 (FY 04), which begins on October 1, 2003. It is with some concern that I present this budget, my first as your City Manager. Months of intense effort by management and staff, working with the community, went into the development of the Three-Year Financial Strategic Plan (Plan). With endorsement of the Plan by the City Council in March, a new effort was begun to prepare the first component of that Plan, the FY 04 Proposed Budget. That process culminated in a proposed budget that focuses on cost reductions and reduces the General Fund's reliance on one-time resources, while keeping fee increases to a minimum.

Unfortunately, costs associated with workers' compensation, health benefits and general liability insurance have continued to increase, pushing the structural gap between ongoing General Fund expenditures and revenue beyond our preliminary estimates. As a result, we are now projecting a FY 04 structural deficit approaching \$67 million, expanding the three-year gap to an estimated \$105 million. These estimates are subject to change based upon external economic conditions, and will be monitored closely as assumptions change.

Furthermore, as the City's proposed budget was being readied to go to print, the State Legislature adopted its FY 04 budget on Tuesday, July 29. As expected, the State's budget includes revenue losses for local government. Statewide, the "hit" on local government (counties and cities) totals \$1.2 billion. Long Beach's loss is preliminarily estimated to be up to \$10 million. The bulk of the loss is a result of the elimination of the Vehicle License Fee (VLF) backfill during the 90-day period it will take the State to prepare and send out the billings with the higher VLF. City staff is reviewing the implementing legislation as it is being drafted and released by the State; it may be several weeks before the true impacts on Long Beach can be determined.

Although it was anticipated that the State budget would have an impact on the City's budget, the City's proposed budget does not incorporate the full range of these impacts, since it was not known which of several State budget proposals would be adopted and each proposal being considered by the Legislature included different impacts on the City. Therefore, rather than rush to revise the proposed budget now, and likely delay its publication, I feel it prudent to publish the proposed budget as prepared. In the weeks that follow, as more detailed information becomes available, staff's analysis of the impacts of the State budget on Long Beach will be completed and an update provided at the August 19, 2003 City Council budget workshop. It is my intent to also provide recommendations to the

Mayor and City Council on August 19 with regard to possible revisions to the proposed City budget that deal with the losses of revenue due to the State. One strategy, which has been previously discussed, is to accelerate options included in the Plan for FY 05 or FY 06. This strategy is not desirable, but I am afraid we may have no choice.

II. Background

The development of the FY 04 Proposed Budget was a collaborative achievement, building on the efforts undertaken to create the Plan. With the support of the Mayor and City Council, staff initiated an unprecedented public outreach program designed to effectively communicate the FY 04 Proposed Budget and to solicit community input for City Council consideration. On July 12, 2003 a citywide Budget Summit was held to provide the community a preview of the proposed budget as well as generate valuable input. This budget interprets concepts put forth at this event and in the City Council-endorsed Plan, including protecting public safety operations, in addition to other core service areas communicated in last fall's "Voice Your Choice" community survey.

This FY 04 Proposed Budget represents a critical turning point in how the City manages its finances. Through a deliberative process made available to every employee and community member, the Plan identified strategic spending reductions across the organization. The Plan also provides an understandable, flexible framework that allows our City government and the community to work together in effectively planning for our ongoing financial stability, despite the economic and budget challenges that we may face.

This letter focuses on the General Fund due to its importance in providing core municipal services. All funds were reviewed, however, as part of the Budget Evaluation Process. Implementation of Year One (FY 04) of the Plan, as discussed in this letter, results in a \$38.2 million reduction of the estimated \$67 million FY 04 structural gap. Permanent spending cuts in the General Fund and related funds total \$27.4 million, return on assets and marketing will generate \$6 million, while revenue from new or increased fees total \$4.8 million (see **Attachment A** for more detail). One-time revenue and FY 03 carryover savings were used to fill the remaining \$28.8 million budget gap in FY 04, which allows the City to maintain a rational approach to structural deficit reduction. The Proposed FY 04 General Fund Budget is balanced; nonetheless, we must be mindful that considerable spending and service reductions are included.

Moreover, we must not lose the focus put on solving the City's remaining structural deficit, the balance of which is estimated at approximately \$67 million over the next two years. Further reductions in spending and services will be required to attain a sustainable fiscal balance, with many of the necessary cutbacks in FY 05 and FY 06 being much less palatable than the most difficult of reductions recommended in this budget.

The immediate challenges facing the City are the ongoing economic slump that began before September 2001, the loss in revenue resulting from the voter-approved reduction to the City's Utility Users Tax and the enormous State budget deficit. While the economy appears to be slowly improving, the State has historically shown a penchant to turn on local government, taking away critical revenue and forcing the financial burden of State programs onto local government. FY 04, as we now know, is no exception.

At the beginning of FY 03, steps were taken that enabled the City to immediately begin to address its budget challenges while at the same time maintain core City services. The hiring freeze implemented in September 2002 is one such initiative that has created an estimated 350 vacant positions in the General and related funds, with approximately 65 of those being sworn Police, Fire, and Emergency Dispatcher positions. This "inventory" of vacant positions has generated significant savings and will also help minimize the impact of reducing over 170 positions in the General Fund and related funds in FY 04. Spending restrictions are also in place for all departments which report directly to the City Manager, with a continued emphasis on purchasing only critical supplies and services, and doing more with less. In conjunction with some department reorganizations, these actions are estimated to generate \$12.8 million in funding from FY 03 that was contemplated in the Plan to help balance the FY 04 budget. Unfortunately, as discussed earlier, the impacts of the State budget will eliminate much of that carryover, unless other changes are implemented.

III. Major Changes to the Structural Deficit

The Plan initially estimated the FY 04 gap to be \$52 million. Since the Plan's adoption, the estimated FY 04 structural deficit has grown to approximately \$67 million. The largest components of the estimated growth in the deficit were reported to the City Council in the April 2003 Monthly Budget Performance Report, and consist of but are not limited to, the following:

Workers' Compensation Costs

For both the private and public sectors, costs associated with workers' compensation insurance have skyrocketed over the past few years. Nowhere in the nation is it worse than in California, where there has been a proliferation of State laws favoring workers' rights and restricting employers' ability to control costs. The City's costs have also risen due to an increase in the number of workers' compensation claims and higher than anticipated medical treatment costs. Charges to the General Fund for workers' compensation increased \$7.1 million in FY 04; charges to all City departments increased \$14 million. The table below shows the significant increase, for all City departments, in the number of claims filed, lost work hours, and claims expense, compared to the growth in the size of the City workforce.

Citywide Workers' Compensation Trends - All Departments/Funds					
Fiscal Year	Average Number of Employees	Lost Work Hours	FTE* Value of Lost Work Hours	Claims Filed	Claims Expense***
1998**	5,728	125,025	60	852	\$ 7,582,000
1999**	6,049	152,951	73	904	\$ 8,327,000
2000**	5,817	185,893	89	1,051	\$ 9,996,000
2001**	5,936	204,356	98	969	\$ 11,727,000
2002**	6,163	219,082	105	1,036	\$ 13,862,000
Growth 1998 to 2002	7.59%	75.23%	75.00%	21.60%	82.83%
Estimated 2003					\$ 15,700,000
Estimated Growth 1999 to 2003					88.54%
* FTE - Full-Time Equivalent equates to 2,088 work hours or one full-time employee position					
** Cash paid per Comprehensive Annual Financial Reports (CAFR): 1998 - 2002					
***Claims expense is only one component of total workers' compensation costs					

In endorsing the Plan, the City Council authorized the City Manager to conduct a comprehensive review of the City's Workers' Compensation, Risk Management and Occupational Health programs. The study is underway and will utilize outside industry experts to identify opportunities to improve City processes and thereby lower costs.

General Liability Insurance Costs

The City is also experiencing significant increases in its general liability insurance costs, and has limited options with regard to controlling costs including: increasing insurance deductibles; lowering the amount of insurance coverage; or, simply not buying insurance. Insurance companies have increased insurance rates to their customers, particularly over the past three years, due to a worldwide increase in the number of claims and the high payouts related to catastrophic losses. The General Fund's share of the increased insurance costs in FY 04 is \$1.6 million, and for all City departments a total increase of \$3 million. In the event of a large disaster, however, the General Fund's \$35.4 million Emergency Reserve remains intact.

Health and Other Benefit Costs

Anticipated health and other benefit cost increases for the General Fund were factored into the Plan at approximately \$2 million. However, based on more recent estimates, General Fund costs are anticipated to grow another \$2.8 million to an estimated total increase of \$4.8 million in FY 04, and for all City departments a total increase of \$7.3 million, based on preliminary estimates furnished by the City's health care providers. Healthcare expenses across the nation have been increasing substantially for several years, primarily due the growth in the number of new medical procedures, the cost of medical care and prescription drugs, and reduced federal and State funding. For the City, the following chart shows the average monthly and annual health care premiums paid by the City on behalf of each employee, along with the annual percentage increase:

Average Health Premiums Per Employee	Actual FY 02	Actual FY 03	Projected FY 04
Monthly	\$ 470	\$ 524	\$ 653
Annually	\$ 5,640	\$ 6,288	\$ 7,836
% Increase from Prior Year	-	11.49%	24.62%

IV. FY 04 Proposed General Fund Budget

The FY 04 Proposed Budget was developed by using the Three-Year Plan as a guide to set spending priorities and reduce the structural deficit through a balanced approach of expenditure reductions in non-core areas coupled with modest revenue increases. The General Fund's FY 03 expenditure budget, as adopted by the City Council, was \$368.2 million. However, since adoption of the FY 03 Budget, several factors, in addition to those mentioned above regarding workers' compensation, general liability insurance and employee benefits have increased the City's costs and are highlighted below. Most of these increases were anticipated in the Plan, although some costs are projected to be higher than anticipated.

The Plan also contemplated an increase in several major revenues, while others such as the Utility Users Tax were anticipated to decrease. The discussion that follows highlights some of the more significant cost and revenue changes impacting the FY 04 Proposed Budget, including base budget and Plan cuts and fee increases. With a proposed FY 04 expenditure appropriation of \$361.1 million, the budget is balanced and provides for an ending fund balance of \$1.5 million to carryover to FY 05. In addition, the \$35.4 million Emergency Reserve remains intact.

FY 04 has a beginning fund balance of \$12.8 million, which is the amount expected to be carried over from FY 03 savings and additional revenue. In addition to the \$12.8 million one-time carryover and \$38.2 million in structural deficit reductions, the FY 04 Proposed Budget utilizes approximately \$17.5 million in one-time transfers to maintain a rational approach toward deficit reduction. Due to the success of the hiring freeze and purchasing curtailments in the current year, many of these transfers were deferred from FY 03. I am very pleased to report that this represents a reduction from the one-time funds used to balance the FY 03 Budget, and provides for a \$1.5 million ending fund balance to help fill the FY 05 gap. Given the skyrocketing growth in the cost of government, this reduced reliance on one-time revenues demonstrates significant progress toward our three-year goal of fiscal sustainability.

Base Budget Changes

The expenditure budget is comprised of tens of thousands of line item budgets across all departments Citywide. The following briefly describes the more significant changes to the base budget, which includes increases due to previously negotiated or contractually mandated costs. These changes increased the base General Fund budget prior to implementing the Three-Year Plan reductions.

Cost increases incorporated in the budget are related to such items as the 3.0 percent negotiated miscellaneous employee pay raise, employee health benefits, insurance costs, public safety equipment and debt service costs, grants and contracts payments. These increases are partially offset by various base budget reductions, such as the removal of FY 03 one-time expenses, indirect cost allocation adjustments, expiring grants, and decreased pension bond debt service payments. After various changes to the base budget, net increases approximate \$13 million in the General Fund. Thus, if cost reductions had not been implemented, the General Fund budget would have totaled approximately \$380 million.

Again, these are only examples of some of the numerous expenditure changes included in the Proposed FY 04 General Fund budget. Please refer to **Attachment B** and individual department sections of the budget document for a list of Uncontrollable and Negotiated Cost Increases.

Structural Changes

Once the base budget was determined as a starting point, staff in all departments implemented changes to the City's General Fund and related funds expenditure budgets that reduced the structural budget gap.

Implementation of Year One of the Three-Year Plan results in a proposed \$27.4 million reduction in the FY 04 operating budgets for City Manager directed departments, with \$19.7 million of those cuts being directly in the General Fund and the balance of \$7.7 million in the related funds (i.e., Gas Fund, Towing Fund, Employee Benefits Fund, Insurance, Civic Center Fund, Fleet Fund and General Services Fund) which will directly and indirectly benefit the General Fund. In addition to the cuts recommended in the Plan, the elected and non-City Manager departments made reductions, in aggregate, of \$1.1 million.

Details of the \$27.4 million of General Fund and related funds Plan-recommended reductions incorporated in the FY 04 proposed budget are included in **Attachment A** and in the respective department chapters of the budget. Some examples of budget reductions include:

- Over \$7 million in cuts in general administration and management functions including elimination of 67 positions, over 20 of which are management positions
- \$3.4 million in anticipated savings to be realized through negotiations with employee unions
- \$5 million in cost-saving operational and organizational changes
- \$4 million in reduced materials and supplies such as eliminating over 200 vehicles from the City fleet and extending computer replacement cycles
- \$1 million in savings from contracting-in, contracting-out and/or optimizing select City services such as street median landscape maintenance, custodial services and reprographics
- \$680,000 from reductions in non-critical maintenance and infrastructure costs
- \$3.4 million from reductions to Police and Fire non-emergency support staff and reductions in Police overtime through redeployment to patrol
- Rolling closures of branch libraries, which changes days of operation from five to four days a week at most libraries, at a savings of \$417,000
- Discontinued Sunday hours at the Main and Bay Shore branch libraries, and reduced evening hours at the Los Altos and El Dorado branch libraries (to the same level as other branches), at a savings of \$216,000
- Elimination of funding for the International City Theater summer youth performing arts program, Pools for Hope swimming program, Folklorico dance classes, Long Beach Unified School District summer recreation playground programs, OlympiKid and Senior Olympics programs, at a savings of \$284,000
- Reduced spending on arts and cultural programs at a savings of \$529,000 to the General Fund and savings of \$350,000 to the Special Advertising and Promotions Fund
- Municipal band concert schedule shortened to six weeks, reducing costs by \$96,000

Changes to the General Fund's expenditure budget also include proposed enhancements in critical service areas, most of which are revenue offset. A few programs have been augmented by shifting funding to address critical needs as voiced by the community. General Fund enhancements recommended for FY 04 total \$1.5 million, and are offset by revenue and/or expenditure reductions in most cases. The following provides examples of some of the more significant enhancements. Refer to **Attachment C** for a comprehensive list of enhancements for the General Fund and other funds.

City Manager's Budget Message
Fiscal Year 2004

- In response to the high priority expressed by the community in the "Voice Your Choice" survey, a \$500,000 annual alley repair and upgrade program is proposed to begin in FY 04. This initial program will target the most pressing alley repairs, and for FY 04, will be funded with Gasoline Tax and CDBG funds. Note that staff has begun identifying the City's infrastructure maintenance needs, and will prioritize those needs during FY 04.
- A \$200,000 increase in funding is recommended to bolster the City's graffiti abatement program. Staff is working to identify alternative funding sources to offset the cost of this important program.
- Increases are recommended to support the Community Development Department's Project Development Bureau (\$200,000 additional budget, which is fully revenue offset) and the Planning and Building Department's Construction Regulation function (\$217,666 additional budget covered by existing, dedicated fees). Both departments are experiencing heavy workloads due to increased development activity, and need resources to adequately respond.
- Support for City parades, including staffing and equipment, costs approximately \$138,000 per year. Prior year budgets for these costs were only \$38,000. Departments had to support the difference from savings realized in other parts of their operations. Given the extent of the cuts recommended in the FY 04 Proposed Budget, the ability to absorb these costs will no longer be possible. Therefore, a \$100,000 increase is proposed to accurately reflect the actual costs of City support for the Daisy Lane, Martin Luther King Jr. and Veterans' Day Parades. It is recommended that funding from private sponsorship of these events be sought in order to offset the City's costs.
- Creation of a Marketing and Sponsorship Program will provide the opportunity to promote the City while generating revenue to support core City services. The Proposed FY 04 Budget includes \$121,000 in costs and \$1,000,000 in revenue associated with City marketing and sponsorship activities.

Estimated Revenues

The General Fund depends on over 200 different revenue sources to fund operations. **Attachment D** lists the 40 largest General Fund revenue sources, which comprise over 90 percent of General Fund revenues. FY 04 projected increases include Property Tax revenue of \$2.6 million and Sales Tax revenue growth of \$1.9 million. Also, projected increases in Motor Vehicle License Fees of \$799,000, Pipeline Franchise Fees of \$862,000 and Transient Occupancy Tax of \$598,000 are included. These increases, however, are almost completely offset by the voter-approved reduction to the Utility Users Tax in FY 04.

The FY 04 Proposed Budget anticipates an increase in the return on City assets and revenue from marketing efforts in the General Fund and related funds. The following are a few examples of some of the new revenue that approximate \$6 million in FY 04 (see **Attachment A** for a more detailed listing):

City Manager's Budget Message
Fiscal Year 2004

- Increased return from the City's refuse-to-energy plant (\$2.5 million)
- Advertising on City vehicles, and other marketing and City sponsorship efforts (\$1 million)
- Apply Pipeline Permit to the Water Utility (\$2.5 million)
- Loan repayment from Community Hospital (\$140,000)
- Additional property tax increment pass-throughs (\$320,000)

New fee-related revenues proposed in the budget would generate approximately \$225,000 per year and include:

- Preferential parking permits (\$20,000)
- After-hours towing release fee (\$50,000)
- Implementation of a towing collections contract to recover unpaid fees (\$100,000)
- Hazardous materials education program fee (\$55,000)

Modest increases in existing General Fund fees totaling \$2.8 million were also necessary to avoid harmful cuts to core services, including increases to charges to cover the cost of the fire plan check function, parking citations, returned check fee, and recreation fee increases. Proposed changes to fees are consistent with fees charged in comparable agencies. **Attachment E** contains a complete listing of proposed fee increases.

V. Other Funds

Special Advertising and Promotion Fund

This fund supports the Convention & Visitors Bureau (CVB), Junior Concert Band, Public Corporation for the Arts (PCA) and other City promotions through a portion of the revenue generated by the City's Transient Occupancy Tax (TOT). The Fund also partially supports the City's Special Events Office that is responsible for coordinating the City's involvement in the Long Beach Grand Prix, various parades, movie productions and other events. The City currently assesses a 12.0 percent TOT on visitors staying at City hotels. Half (6.0 percent) accrues to the General Fund, and the other half (6.0 percent) is split between the Redevelopment Agency Fund (RDA) and the Special Advertising & Promotion Fund (Promotion Fund). Of the 6.0 percent TOT rate that does not go to the General Fund, the RDA receives the tax collected from the hotels located in the Downtown Redevelopment area, while the Promotion Fund receives the tax collected from the rest of the hotels in the City. The RDA TOT is pledged first to repayment of the City's Aquarium Bonds, then to repay the Harbor Fund for a loan provided for the Convention Center expansion. Beyond that, the funds are available to augment Promotion Fund programs.

For the past several years, the City has relied on available RDA TOT funds to maintain or enhance Promotion Fund programs. Beginning in the latter part of FY 02, however, the RDA TOT funds have been needed to support the Aquarium Bond payments. Due to the lack of available RDA TOT, staff now projects a budget deficit in the Promotion Fund with current spending levels. To mitigate the unavailability of TOT revenue, the City must reduce program expenses. For FY 04 it is proposed that costs be reduced by \$350,000 (in addition to the General Fund reduction of \$300,000) for support for the Public Corporation for the Arts (PCA) contract, \$200,000 in marketing, promotions and tourism related funds and \$175,000 for capital projects at the Long Beach Convention Center. However, funding

for the Convention and Visitor's Bureau (CVB) is recommended to remain intact at \$3.7 million.

The negative affects of the downturn in the economy and impacts of September 11 tragedies on area tourism and conventions are anticipated to ease in FY 04. Coupled with a full year of operations of Carnival Cruises and the opening of the Pike, some TOT growth is expected in FY 04. Even with this expected revenue growth, it is anticipated that the Promotion Fund will continue to have funding challenges.

Gas Fund

As required by the City Charter, Long Beach Energy (LBE) has performed a review of its rates and fees for natural gas services in comparison with other surrounding gas utilities in Southern California. This comparison indicates that LBE's rates are well below those charged for similar services by the Southern California Gas Company, and further below those of the other two gas utilities, San Diego Gas & Electric and Southwest Gas.

In addition, LBE will be incurring some significant costs in FY 04 directly associated with programs that greatly benefit its customers. The first is \$1 million in fixed annual costs that LBE now pays to obtain long-term lower gas commodity costs and critical price protection for LBE's customers. The second cost is an annual increase of \$700,000 paid to Southern California Gas Company for intrastate natural gas pipeline transmission service and for additional storage services. Lastly, it is recommended that a comprehensive review of the natural gas pipeline system be performed that will identify maintenance needs and a recommended strategy to address these needs.

As such, a rate adjustment of \$2.2 million is recommended as follows: \$1.5 million increase in residential rates and \$700,000 increase in commercial/industrial rates. For the "average" residential customer, this would equate to an increase of 94 cents per month. This rate increase would maintain rates for LBE's customers comparable with those of the surrounding gas utilities in Southern California.

Tidelands Funds

The Tidelands Funds support the operating, maintenance and development of the Tidelands Trust area, including the beaches and waterways, marinas, Convention Center, Pike at Rainbow Harbor area and the Aquarium of the Pacific, in addition to the Queen Mary and Hyatt Hotel leases. Resources to support services provided in the Tidelands area are dependent on continued support from the Tidelands Oil Revenue Fund (TORF) and the Harbor Fund. State law provides for the transfer of certain TORF profits to the Tidelands Funds, and given the continued high price of oil, has provided substantial funding for Tidelands Funds the past few years. This support will continue into FY 04. To enact the Harbor Fund transfer, the City Council will be asked to request a transfer of 10.0 percent of the Port's net income to the Tidelands Fund, as allowed by City Charter. The transfer is included in the Tidelands Funds' and the Harbor Fund's proposed budgets.

The Board of Harbor Commissioners must approve the transfer before it can be made. Limited capital project funding for the Tidelands area has been available the past few years, and this continues to be the case for FY 04; however, a modest \$100,000 continued commitment to the seawall rehabilitation program is included in the FY 04 Proposed Budget

and will be funded by the TORF transfer. In addition, a one-time budget increase of \$150,000 is proposed to support anticipated costs associated with the U.S. Olympic Swim Trials. Funding to offset this increase to cover additional Police, Fire and Public Works staffing costs has yet to be identified.

Workforce Development Grants

The City's Workforce Development Bureau provides essential job-skill development and employment attainment programs for Long Beach's residents. During FY 03, the State and Federal governments made drastic reductions in grant funding to local workforce development programs. As a result, severe reductions in the Workforce Development Bureau's staff and programs were made.

The lack of grant funding remains a problem in FY 04, which is reflected in the Bureau's staff, reduced by 66.25 FTEs (from 118 in FY 03 to 51.75 in FY 04), and its budget, reduced by 75.0 percent from FY 02 levels (from \$19.4 million in FY 02 and \$5.5 million in FY 03, and now down to \$4.7 million in FY 04). The City will continue to secure any funds as they become available, to restore in full or in part, the critical job training services our community needs.

VI. Impacts from the State Budget Deficit

The \$38 billion budget deficit facing the State of California is unprecedented. The Legislature adopted the State's FY 04 budget on July 29, 2003. At the time of this writing the Governor had yet to sign the budget. Several "trailer" budget bills, required to implement the State budget and containing impacts to cities, were adopted by the Assembly and will have to be brought back to the Senate for consideration once they reconvene in mid-August. As indicated earlier in this letter, given that sufficient information is not available, the impact of the budget on the City is not incorporated in the FY 04 Proposed Budget; however, the impacts will be addressed as a proposed amendment to this proposal in the next several weeks.

It is not possible to accurately project State impacts until all budget bills have been drafted and adopted. Losses to the City's General Fund could effectively wipe out most of the \$12.8 million carryover departments have sacrificed to generate during the current year requiring further reductions to balance next year's budget. City staff gave much thought in crafting the Three-Year Plan to be aligned with community priorities, but financial actions by the State could force the City to make cuts to core services.

Losses of this magnitude could result in the need to accelerate Plan reductions currently not scheduled until FY 05 and FY 06. It may be extremely difficult to protect core services such as front-line police, fire protection, and infrastructure programs as a result. Furthermore, the State Legislature's actions for FY 04 have ultimately postponed many of the difficult decisions and measures required to resolve the State's budget crisis into FY 05, thus making even further cuts to local governments in FY 05 likely.

VII. Three-Year Financial Strategic Plan

On March 25, 2003, the City Council formally endorsed the Three-Year Plan, which was the culmination of six months of intense effort to solve the then projected \$90 million structural deficit (currently estimated at \$105 million). It incorporates community input, City Council priorities and department needs into a strategy that addresses the deficit while minimizing, to the extent possible, negative impacts on core municipal services. In prescribing spending priorities each fiscal year, the upcoming annual budgets should be formed by concepts laid out in the Plan. Then, to best reflect continuing changes in community needs, legal requirements and the fiscal environment, the Plan must be continuously updated in order to successfully address emerging community issues and financial concerns, and to capitalize on financial opportunities. A guiding principle followed during the development of the FY 04 Proposed Budget was that departments had to adhere to goals and concepts endorsed in the Plan.

Each year the Plan will be evaluated, revised as needed, and translated into a budget for the upcoming fiscal year. To continue to be relevant and effective, the Plan must remain a working model and must be updated to best anticipate and be responsive to projected changes. Following the adoption of the FY 04 Budget, staff will initiate the process for updating the Three-Year Plan to incorporate changes associated with growth in the structural deficit and the State budget impacts. The Budget Evaluation Process used to update the Plan should remain open to public input and debate, with the update being finalized upon receiving endorsement by the Mayor and City Council.

Over the course of the next two years we will have to work together to identify further savings to close the remaining structural gap. It is anticipated that results of optimization efforts, such as the special studies currently in process, will contribute to closing the gap. Options to generate additional revenues should also be explored to avoid reductions to core services.

VIII. Financial Policies

The short-and long-term strategic vision and priorities of the community require prudent financial management on the part of both the City Council and City management. As we work together to address the current fiscal crisis, the policy-setting and decision-making mechanisms required to achieve our collective goals must be institutionalized to maintain our course toward a healthy future.

Of utmost importance in the near-term is establishing a clear and comprehensive set of financial policies to serve the framework within which the City's financial planning and decisions are made. Such policies should provide a transparent standard of performance endorsed by the City Council and City management, against which they will be held accountable, and that the community can understand. The policies should address both current activities and long-range planning, and should be reviewed annually to assure the highest standards of fiscal management. As Len Wood, the City's outside financial advisor recommended in his July 2003 presentation to the Budget Oversight Committee, effective financial policies *"...should be consistent with broad government goals and should be the outcome of sound analysis... and should establish standards which are used by the City Council to oversee the budget and financial activities of the City."*

It is recommended that fiscal policies be adopted that first address the following areas deemed critical to the future fiscal stability of the City:

Structurally Balanced Budget – Adopting a balanced budget where ongoing revenues equal or exceed ongoing expenses will work to ensure that the City does not spend beyond its means. The policy should provide a clear definition as to how budgetary balance is to be achieved on an annual and on-going basis.

Use of New Revenues – Many of the City's revenues are economically sensitive, and increases experienced in one year may not be sustained in other years. Once the budget is brought into balance, consideration should be given to setting aside a portion of all future revenue growth for critical capital needs.

Use of One-Time Revenues – Occasionally, the City generates unanticipated one-time revenues from a variety of sources. Examples include proceeds from asset sales, debt refinancing, one-time grants, and budget savings carried-over from year-to-year. Reliance on one-time revenues to balance ongoing annual operating expenses is deemed to be a major contributing factor to the City's structural budget deficit. As this income is non-recurring, it is critical to have a financial policy in place to limit use of these monies to one-time expenses. Appropriate expenses for one-time revenue include items such as establishing/rebuilding emergency and operating reserves, early retirement of debt or for capital purchases.

Operating Reserve Funds – The City Council has adopted an Emergency Reserve Fund policy whereby an amount approximating 10.0 percent of the annual General Fund budget is set-aside. It is recommended that, in addition to the Emergency Reserve, a prudent Operating Reserve be established. The Operating Reserve would be used as a buffer against temporary losses of funding or uncontrollable spikes in expenses. Such a reserve could be utilized in dealing with a short-term financial crisis in order to avoid having drastic reductions in services and programs, or raising fees. It is recommended that a policy be developed that, over time, a 10.0 percent Operating Reserve be established.

Long-Term Financial Planning – Similar to the Three-Year Financial Strategic Plan, the City should continue to employ financial forecasting and planning tools to be used in developing the annual budgets. Though a three-year forecast is most relevant to developing annual budgets, longer-range forecasts and plans should be developed to address issues in a more strategic manner, providing opportunities to follow the most reasoned approaches to maintaining fiscal stability and plan for long-term community needs.

Infrastructure and Facilities Maintenance Planning – Specific long-range maintenance and replacement plans must be developed, including identifying ongoing funding sources, that address critical maintenance needs of the City's infrastructure (e.g. streets, curbs/gutters/sidewalks, storm drains, etc.) and facilities (e.g. fire and police stations, libraries and parks).

Fees and Charges – The City provides a multitude of services and programs, and for many of these, charges a fee to recover some or all of the associated costs. It is recommended that a policy be developed regarding fees that addresses the methodology used to determine the appropriate amount of specific fees, the extent to which costs should be

recovered, the extent and rationale for subsidies, and the frequency with which fees should be evaluated.

Debt Issuance and Management – Issuing debt commits the City for many years to make debt payments, and limits the City's flexibility to respond to changing service priorities. Implementation of a clear policy on the appropriate use of debt should include, at a minimum, blocking use of such one-time resources (debt) to support ongoing programs. It should also serve to dissuade issuance of debt when dedicated, recurring revenues have not been identified for the repayment of the debt.

Debt Level and Capacity – Debt level policies deal with the maximum amount of debt and debt service that should be outstanding at any one time. Policies should be developed for: all debt where repayment is directly supported by the General Fund; debt that is backed by a pledge against General Fund revenues or assets; enterprise fund debt; special assessment debt where the City is part of the assessment district; property tax increment financings; and, lease financing.

IX. Performance Management Initiatives

Meeting the needs and expectations of the public through the City's diverse programs and services is one of the primary goals of the City. Such value can only be created in an environment that encourages and rewards excellence, creativity, continuous improvement, accountability, customer service and greater efficiency and effectiveness in our daily charge. As a means to this end, the City has developed a number of Performance Management Initiatives (PMI) to assist in its on-going effort to become a high performance organization that better serves the community. There are several components of PMI, details of which can be found in the Performance Management Initiatives section of the budget document.

For the first time in the City's history, Department Business Plans are reflected in the budget document, which is further evidence of the City's progression towards increasing accountability within City operations. By including the Business Plans in the budget, the City is taking steps necessary to align its management and fiscal reporting practices with the City's 2010 Strategic Plan, along with the services and programs provided by City departments, rather than placing the bulk of the focus on its organizational structure (departments and bureaus). During FY 04, a further review and prioritization of services will be conducted, with financial information ultimately being linked to the services. Improved performance measures will also be developed to provide for better tracking of service delivery outcomes (effectiveness) and outputs (efficiency). Decision-makers and the community can use this performance information to hold departments accountable, and to ensure that scarce resources are appropriately allocated to priority areas.

Working with the City Auditor's Office to convert the traditional annual resource allocation plan into a service/program-based budget document, with specified performance objectives and measures, is a significant goal over the next few years. The FY 04 Proposed Budget reflects some of the improvements from this effort in the department sections of this document.

X. Beyond 2004 – Long Range Planning

The City, through the thoughtful development of the Three-Year Financial Strategic Plan, created a rational roadmap guiding the City on a path toward correcting the imbalance between expenditures and revenues. Given time, the City will undoubtedly emerge from this fiscal crisis a stronger organization. However, there will be future challenges and opportunities that we must be prepared to meet.

For example, funding needed to adequately maintain critical infrastructure systems, public facilities and technology systems has been deferred over the past several years to support and enhance services and programs. Deferring these maintenance needs puts our quality of life at risk for current and future generations, and is no longer a viable option. To this end, staff is developing a comprehensive inventory of maintenance requirements which, in addition to the Fire facilities' and alley improvement needs pointed out in studies conducted last year, will be the basis for scheduling the maintenance of all City assets. In addition, I am recommending a comprehensive review of the natural gas pipeline system, which will identify maintenance needs and a recommended strategy to address these needs. Furthermore, the City's core computer systems are in some cases over 25 years old, and it is becoming more and more difficult to maintain these systems, let alone adapting them to meet future operating requirements. An Information Systems Master Plan is being developed in order to provide a course by which the City's critical technology systems, including those utilized for permitting, billing/collections, business licensing, inventories, etc., can be updated. Given our current fiscal environment, developing funding strategies to address our current and future infrastructure and maintenance needs will be difficult, but is a necessity. Developing such a strategy is an important component of the Three-Year Financial Strategic Plan.

The past twelve months have been an incredible time for the City. We have been transformed into an organization with more focus and greater resolve to plan our future in a proactive manner, rather than in a reactive fashion. Even with the unknowns in our future, like the economy and State budget, we need to continue to focus ahead and develop strategies to plan for future needs of the City, while maintaining core services the community clearly identifies as important.

Economic development and strategic marketing of assets are also important areas of investment. With a focus on economic development we could strategically strengthen our own local economy through job creation and service retention. In the near-term, an Economic Development Strategic Plan will be presented to the Mayor and Council for their endorsement. This plan will establish economic development strategies throughout the city and identify assets, opportunities and actions for the City and private enterprise to undertake. We also need to ensure that dollars invested in the promotion and marketing of the city are used wisely, and that they leverage and enhance private sector investments in the community.

XI. Conclusion

To a large extent, the negative impacts of the current economy could not have been avoided, and the threat of current and future State budget decisions still confronts us. Our financial environment requires that City operations be continually evaluated and steps taken

to be as efficient, effective and responsive as possible. Long-term financial planning must become standard practice so that we may identify, early on, potential problems and begin to take corrective actions before the problems become too severe. In addition, such planning will provide us the tools to shape our future with a clear, specific vision in mind, with which we can make our goals a reality.

Greater transparency of City government decision-making and operations are key to our goal to create a high performing organization that is trusted by the community. The collaborative processes used in developing the Plan are being utilized during the FY 04 budget adoption process, and clearly reflect a new way of doing business. In addition to encouraging open dialogue on City issues with the public, and to ensure that the City does not find itself in similar financial straights in the future, the City must next develop sound financial policies and be held accountable to them.

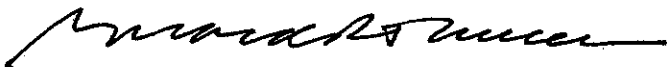
As your new City Manager, I have established four clear, achievable goals:

- Provide for a clean and safe city;
- Make the City fiscally stronger;
- Engender more trust with the community, the City Council and our employees through open communication and consistent follow-through; and
- Create a clearer linkage between new development and neighborhood needs.

Toward these ends, I believe the City is now on the right path, with substantial steps already having been taken toward solving our financial dilemma and enhancing community participation. However, much work still remains. Reforming our communication and financial reporting processes will not be easy, but are worthwhile and needed to build community trust of its government.

The City's management team is committed to continue working closely with the community, the Mayor and City Council, and City employees to align its goals and objectives, and to plan for a more stable financial future of the City government. I look forward to discussing this FY 04 Proposed Budget in detail during the upcoming community events and budget workshops.

Respectfully Submitted,



GERALD R. MILLER
CITY MANAGER

GRM:SRM:BT:MK

- Attachment A: Changes to the Structural Deficit in FY 04
Attachment B: Uncontrollable and Negotiated Cost Increases
Attachment C: Proposed Enhancements
Attachment D: General Fund Revenues (Top 40)
Attachment E: Proposed FY 04 Fee Adjustments by Department

Changes to the FY 04 Structural Deficit

	Dollars	FTE*	Percent of Structural Solution
<i>Estimated FY 04 Structural Budget Gap</i>	\$67,000,000		
<i>Carry-over Funds from FY 03</i>	(12,800,000)		
<i>Current Year Budget Gap</i>	47,200,000		
<i>Three-Year Plan Category</i>			
General Administration and Management	(\$7,060,778)	-67.1	18.5%
Employee Compensation, Benefits and Work Practices	(\$3,383,498)	0.0	8.9%
Contracting Opportunities	(\$1,047,229)	-22.1	2.7%
Operational and Organizational Changes	(\$4,985,360)	-25.3	13.1%
Capital Projects and Infrastructure	(\$163,200)	0.0	0.4%
Maintenance Reductions	(\$518,365)	-2.6	1.4%
Materials, Supplies and Equipment	(\$3,948,483)	-7.0	10.3%
Recreation Services	(\$590,352)	-4.0	1.5%
Library Services	(\$853,964)	-12.1	2.2%
Public Safety Support and Related Services	(\$3,443,499)	-20.8	9.0%
Public Safety Emergency Services	(\$155,009)	-2.0	0.4%
Arts and Cultural Programs	(\$529,194)	-0.4	1.4%
Communication, Promotions and Special Events	(\$203,253)	-2.0	0.5%
Business Services and Attraction	(\$275,605)	-1.1	0.7%
Code Enforcement	(\$223,656)	-3.5	0.6%
TOTAL COST REDUCTIONS	(\$27,381,445)	-170.1	71.7%
Return on Assets & Marketing Opportunities	(\$6,032,068)		15.8%
TOTAL RETURN ON ASSETS/MARKETING	(\$6,032,068)		15.8%
New Fees	(\$225,440)		0.6%
Increasing Existing Fees	(\$4,541,340)		11.9%
TOTAL REVENUE ADJUSTMENTS	(\$4,766,780)		12.5%
Year One Impact to Structural Deficit	(\$38,180,293)		
One-time Revenues/Transfers	(\$17,491,084)		
Total Cost/Revenue Adjustments (including one-time)	(\$55,671,377)		
Carry-over Fund Balance to FY 05	(\$1,471,377)		
FY 04 STRUCTURAL DEFICIT REMAINING	\$28,819,707		

*Represents Full-Time Equivalent (FTE) positions

Note: Negative numbers indicate a reduction to the structural deficit

Description of Three-Year Plan Implementation: Year One (FY 04)

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
General Administration and Management	(\$7,060,778)	-67.1	18.5%

Reductions in management and administrative staffing throughout the organization makeup a significant portion of overall cost reductions in the proposed Plan. Management positions will be reduced by 25 percent, or approximately 48 positions, in the General and related fund programs over the next three years, with an estimated \$5.3 million in savings. In FY 04, it is proposed that over 20 management positions be eliminated. Reorganization and consolidation of department responsibilities will be required to achieve this sizeable reduction, with single-focus management positions being collapsed with other managerial responsibilities. Some examples include consolidation of administrative oversight with marketing and customer relations' responsibilities, combining accounting with budgeting oversight functions, and the elimination of the Public Service Bureau, with responsibilities to be split between the Public Works Administration & Planning and Traffic & Transportation bureaus.

Administrative support staff will also be dramatically reduced during this period, requiring an increasing workload for remaining staff and restructuring operations to address critical needs. In some cases, work previously performed may have to be deferred or discontinued. It is anticipated that reductions in this area will result in increased response times to requests for information and special studies. Ad hoc analyses currently performed on a routine basis for Mayor and Council, City Manager and other departments will have to be prioritized, as resources currently in place to perform these will be reduced. In addition, memberships in professional organizations, attendance at conferences, and administrative supply budgets will be significantly reduced. Increasing the use of technology will be explored to help offset the impact of the proposed administrative reductions including use of the Internet and automated phone systems for conducting City business. Organizational consolidation and elimination of overlapping responsibilities will also play a critical role in reducing staffing levels.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Employee Benefits and Work Practices	(\$3,383,498)	0.0	8.9%

The Plan calls for a total of \$23.4 million in reductions in Employee Benefits and Work Practices over the next three years. This reduction was a direct result of the input received from the "Voice Your Choice" survey. A vast majority of the written comments suggested that employees provide a greater contribution to the benefits they receive, or that some benefits should be curtailed. Reductions in this category in FY 04 total \$3.4 million and will require negotiations with the labor unions on reductions to current benefits. This could be comprised of a number of different options including employee participation in benefit costs such as health care and pension, changes in work schedules, or other innovative solutions.

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Any changes of this nature must be reached through negotiation with the labor unions and negotiating teams will be meeting with each union to discuss potential options. In addition, various employee recognition programs and support services will be curtailed including the safety and health fairs, retirement counseling and the employee flu clinic.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Contracting Opportunities	(\$1,047,229)	-22.1	2.7%

Past experience with contracting of services has proven it to be an effective means of reducing costs without negatively impacting service levels and in some cases actually improving service levels. The FY 04 Budget proposes further contracting in areas that the City has had success in contracting in the past. The largest opportunities for contracting out in FY 04 are street landscape maintenance and reprographic services. The City Manager proposes to phase in the contracting of street landscape maintenance over two years, generating an estimated savings of \$745,000, and contracting the first third of that service in FY 04 for a savings of \$249,000. Restructuring reprographic services could create a General Fund savings of \$263,000 through potential contracting and/or service optimization. Contracting of some facility maintenance functions, custodial services in smaller community centers, weed abatement functions on City lots, park refuse collection, and baseball field maintenance are all being considered for FY 04, with a combined savings of \$538,000.

A Contracting Committee has been established and tasked with overseeing contracting opportunities, working with an Employee Transition Committee to ensure that potentially affected employees be given an opportunity to participate in the contracting evaluation and work-process review. In addition, should functions be contracted out, every effort will be made to transition impacted employees to other City operations. Efforts are also being made to explore options for contracting-in of services that could generate revenue and offset overhead costs.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Operational and Organizational Changes	(\$4,985,360)	-25.3	13.1%

Streamlining operations and reducing duplication in the organization are key elements necessary to realize savings called for in the Plan. Examples of operational changes in FY 04 include renegotiating contracts with other agencies to lower operating costs, reorganizing customer service functions and ensuring full cost recovery from other City funds and outside agencies. A reduction of centralized technology support services is included with reductions in computer server support, network management, email services, Internet and Intranet development, and applications development and support. Some service reductions will be mitigated through a new content management system that will decentralize some of these previously centralized technology services to users in the departments.

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Operational and organizational changes may impact current service levels, particularly to other City departments and functions, but will result in significant cost savings and minimal impacts in service to the community. Some reductions will affect all departments, such as the reduction in computer support, with yet other changes resulting in expanded workloads for remaining staff. The main goal of these changes is to reduce operating costs so that core and critical services continue to receive funding priority. The City Manager is committed to exploring areas where operations can be modified so as to continue to provide core services, while generating significant cost savings. Further savings may be expected as staff review many City operations, such as information and technology services, communications and promotion efforts, neighborhood service functions, billing and collections and numerous other areas.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Capital Projects and Infrastructure	(\$163,200)	0.0	0.4%

The results of the “Voice Your Choice” survey showed that the community places a very high priority on infrastructure maintenance. In response to this direction, only a minor amount of targeted reductions are proposed in this category. The reductions proposed are to wireless communications systems and devices, and training/support for project design and management, which provides a combined total of \$163,000 in structural savings.

The City’s annual \$3 million sidewalk replacement program is proposed to remain intact, as are projects that address access issues related to the Americans with Disabilities Act (ADA). In addition, \$500,000 per year of State and Federal grant money has been identified to allow the City to begin a modest alley improvement program. Staff will continue to seek out additional funding to expand the alley program. In addition, the City Manager proposes a \$200,000 enhancement to the Graffiti Abatement Program in the FY 04 budget in direct response to the high priority the community placed on this service. The Plan had included a \$937,000 reduction from the annual \$2.7 million natural gas system capital program; however, it is proposed that this program remain fully-funded until results of a comprehensive engineering review of the natural gas pipeline maintenance schedules is completed in FY 04.

In the past few years the City has made tremendous progress toward addressing the dilapidated Police and Emergency Communications (911) facilities. Many more City facilities are in disrepair and require significant investment. To best direct limited resources to meet the highest need, the City is conducting facility condition assessments. An assessment of City alleys and fire stations was completed last year, and parks, recreation and library facilities are currently being studied. Results of the assessments will provide critical information needed to prioritize capital maintenance needs. As future resources are identified to address critical facility needs they will be allocated based upon citywide priorities.

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Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Maintenance Reductions	(\$518,365)	-2.6	1.4%

The City Manager proposes to decrease funding in FY 04 for various maintenance programs. Contracts for maintaining City-owned vacant properties will be reduced, which will lower the frequency of maintaining these properties. In addition, it is recommended that the City eliminate a budgeted deferred maintenance reimbursement to Rancho Los Alamitos. The Parks, Recreation and Marine Department will have less capacity in FY 04 to assist with special event maintenance and may have to extend park tree trimming schedules. The Energy Department will reduce their annual maintenance on gas meter assemblies and gas delivery sites at a cost savings of \$110,000. Departments have also been directed to continue to meticulously review requests to replace equipment in order to minimize costs.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Materials, Supplies and Equipment	(\$3,948,483)	-7.0	10.3%

A significant reduction in this category comes from reducing the City's fleet of vehicles and equipment totaling over \$1.5 million. A comprehensive outside review of the City's fleet by an expert consultant is being conducted with the assistance of the City Auditor's Office. Significant cost savings will be achieved by reducing the fleet by upwards of 20 percent over the next three years, with over 10 percent, or 230 vehicles, targeted for reduction in FY 04. The City will rely on reimbursing employees for use of their own vehicles to conduct City business, which will create significant cost-savings.

Other areas where savings will be gained include a reduction in the number of cell phones and pagers assigned to employees, and extensive reductions to office supply budgets, and furniture and computer equipment purchases. Departments are also expecting savings by utilizing the Internet and CD-ROM technology for distributing documents rather than incurring printing costs.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Recreation Services	(\$590,352)	-4.0	1.6%

Reductions to recreation programs total \$590,000 in FY 04, though reductions to youth and senior programs have been minimized in response to the City Council's expressed desire to limit program cuts affecting these populations. If alternative funding cannot be identified, reductions in these areas will be more significant in FY 05. As was stated in the Plan, funding for the following outside organizations is proposed to be eliminated in FY 04 saving

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\$207,000: the International City Theater summer youth performing arts program; Folklorico youth dance program; Pools of Hope swimming program; and the Long Beach Unified School District's summer recreation playground program. Other proposed reductions include Nature Center staffing saving \$256,000, and elimination of funding for both the OlympiKid and Senior Olympics Programs totaling \$77,000.

In-lieu of eliminating the fee waiver program that allowed youth groups, including Little League and AYSO Soccer, to avoid paying \$15 per hour for ballfield lighting, a 60 percent fee waiver (\$9 per hour waiver) is proposed. Approximately 50 City fields are equipped with lights and are used by an estimated 30 Long Beach area youth groups totaling about 25,000 players.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Library Services	(\$853,964)	-12.1	2.2%

Included in the Plan, and now proposed in the budget, are reductions to the City's library services. For FY 04, the focus is directed towards reducing operating expenses and staffing while attempting to minimize impacts to services provided directly to the public. The materials and book purchase budgets would be lowered \$214,000 down to \$1.3 million, reversing some of the recent enhancements intended to begin supplementing book inventories. Curtailment of some library services will, unfortunately, be unavoidable in FY 04, including closing the Main Library and Bay Shore branch library on Sundays, and reducing evening hours at the El Dorado and Los Altos branches to the same schedule of the other branch libraries. To generate even further savings, a system of rolling neighborhood library closures is proposed that provides for reductions in operating and staffing costs. The rolling closures would keep ten of eleven neighborhood libraries open four days per week instead of five, while the eleventh library would continue to be open six days. This is preferred over the outright closure of one or two branches, which would leave geographic areas of the City completely unserved. The schedule of closures would be geographically planned to provide patrons the opportunity to go to an alternate nearby branch that is open on the day their neighborhood branch is closed.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Public Safety Support and Related Services	(\$3,443,499)	-20.8	9.0%

While every effort has been made to hold funding of emergency response intact, Public safety functions makeup well over 60 percent of the City's budget, with just under 2,000 of the General Fund's 3,400 employees assigned to the Police and Fire Departments. Given the size of the deficit it is not possible to solve the structural deficit without reducing public safety department budgets. Public safety department budgets consist largely of personnel costs. In order to realize needed savings without reducing sworn police and fire emergency response staffing, support staff and non-personnel costs must be cut significantly. Civilian

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reductions in these departments will be closely monitored to ensure minimal impact on core services.

The Police Department, beginning early in 2003, began reassigning police officers from support functions back into patrol. This not only put additional police officers on the street, available to respond to calls for service, but also served to reduce \$1.9 million in overtime costs. This action resulted in restructuring of other department functions including Support and Planning, Accident Incident Detail, Communications, Youth Services, Community Relations, DUI Detail, Internal Affairs and Court Affairs. Staffing of Police Athletic League (PAL) facilities was also restructured, moving some PAL-assigned police officers to patrol and utilizing parks staff in their place at a lower cost. In addition, a number of gang outreach functions will be transferred to the PAL programs in an effort to better utilize resources. Additionally, some staffing reductions for Animal Control are recommended for FY 04.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Public Safety Emergency Services	(\$155,009)	-2.0	0.4%

The only proposed Public Safety Emergency Service reduction in FY 04 relates to a reorganization of Fire Department code enforcement staffing that was implemented in FY 03. Two fire prevention firefighters were transferred to other duties, the fire prevention positions eliminated, and the responsibilities of those positions were absorbed by remaining fire prevention personnel without a significant degradation of services provided. Savings from the closure of the Signal Hill Fire Station are reflected in the Return on Assets and Marketing category, and reduced fire management positions are accounted for in the General Administration and Management category.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Arts and Cultural Programs	(\$529,194)	-0.4	1.4%

General Fund support for arts organizations is proposed to be significantly reduced over the next three fiscal years. The City is committed to working with the Public Corporation for the Arts (PCA) and the rest of the arts community to develop a "Blueprint for the Arts" that will identify private funding sources and entities that can assist in stable, long-term funding for their programs. By spreading the reductions over three years, it is hoped the community's arts organizations can adjust their operations and work toward increasing their fund-raising capacity. In FY 04, the total allocation to the PCA is proposed to be reduced by \$697,000, of which \$347,000 is from the General Fund and \$350,000 is from Special Advertising and Promotions (SAP). After these reductions, the City support for the PCA will be \$650,000 in FY 04. Additionally, a 25 percent reduction to funding for the Municipal Band concert series is recommended, which could reduce their season from six weeks to four weeks, unless other funding can be identified.

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Finally, the endorsed Plan included reducing \$350,000 of the \$669,000 payment for the Long Beach Museum of Art management agreement thereby returning funding to FY 02 levels. The non-profit Long Beach Museum of Art Foundation operates the City-owned Museum. It is recommended the reduction for FY 04 be reduced from \$350,000 to \$100,000, with the balance reduced in FY 05 to provide time for the Museum to develop alternative funding sources to support their operations. This time extension should allow for sufficient development of private funding sources to maintain the Museum of Art operations.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Communication, Promotions and Special Events	(\$203,253)	-2.0	0.5%

The City is restructuring the way it communicates with the public and staff is currently developing a Community Outreach Plan to accompany a likely reorganization of this important function. It is anticipated that costs can be reduced concurrent with improving communications and marketing efforts. Communication improvements being developed include an E-Government initiative that will put more of the government records and information on-line, providing electronic interaction between the public and public servants and webcasts of important City meetings and events. Also, a "Speakers Bureau" is being created whereby City staff will be made available to present City issues to community groups and to encourage and solicit community input into the government decision-making process.

Cost savings for this area are being realized as a result of the reorganization of the Fire Department's Public Information Office, and by reducing the size and number of publications such as the Parks, Recreation and Marine Class Schedule, the ReDiscover Long Beach community calendar, and certain business development materials.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Business Services and Attraction	(\$275,605)	-1.1	0.7%

The "Voice Your Choice" survey results illustrated the importance of developing the City's business community. Retention of existing businesses and attraction of new businesses is a high priority goal. The City's 2010 Strategic Plan and economic development policy both stress having a proactive economic development effort. Given all of this, proposed reductions in this category are modest. The Community Development Department's Business Technology Division, as mentioned in the Plan, was intended to focus on developing an Internet industry presence during the "dot.com" boom. Since that sector has declined dramatically the past couple of years, the division was never fully implemented. This division will be eliminated and these functions collapsed with other divisions in the department. The Community Development Department will continue to focus on other priorities including development of businesses, manufacturing, retail, continued growth in

ATTACHMENT A

tourism and related support service companies, and attracting and retraining trade-oriented companies. Another minor reduction in this category involves customer service provided by the Public Works Department in the area of subdivision maps and development agreements.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Code Enforcement	(\$223,656)	-3.5	0.6%

As mentioned in the Plan, there are a multitude of code enforcement services managed by several City departments. In an effort to identify duplicative services and improve operational efficiencies, a cross-functional team from all affected departments was assembled in addition to hiring a consultant to conduct a comprehensive review of code enforcement functions. It is suggested that any significant structural changes to the City's code enforcement programs await the results of the study. In the meantime, savings had to be realized, so some service revisions are proposed in this budget including reducing zoning inspection to critical inspections only, reducing weed abatement inspections to the most serious violations, and eliminating half of a vacant planner position funded from a State code enforcement grant.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Return on Assets & Marketing Opportunities	(\$6,032,068)	0	15.8%

The City owns a number of assets that generate revenue for the General Fund. The City, jointly with the Los Angeles County Sanitation District, owns the South-East Resource Recovery Facility (SERRF), a refuse-to-energy plant. SERRF projects a \$5.0 million annual profit, half of which will be transferred to the City. There are also marketing opportunities proposed, which are anticipated to generate new revenue. These include the recently signed agreement with a private marketing firm, Signs of Support, that will generate approximately \$300,000 from advertising on select City vehicles, as well as other potential marketing ideas that are being researched. The City of Signal Hill recently decided to end its fire protection contract with the Long Beach Fire Department. The City was subsidizing the cost of providing service to Signal Hill and will, therefore, save approximately \$336,000 per year with the termination of the contract. The balance of the items in this category include pipeline permit revenue from the Water Department, reimbursement from Community Hospital of an outstanding loan, additional unbudgeted Redevelopment Agency property tax increment pass-through money, and additional ongoing fund transfers from the Gas Fund and Towing Fund.

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Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
New Fees	(\$225,440)	0	0.6%

This category is a small part of the FY 04 budget solution, and includes fees not currently collected by the City. Even though several were contemplated in the Plan, no new taxes are included in this proposed FY 04 budget. The proposed new fees for FY 04 are tied directly to a specific service being provided and are designed to begin paying for those services. Examples of new fees include setting preferential parking permit fees to \$30 per year, a \$50 "After Hours" release fee to retrieve impounded vehicles after normal business hours, establishing a collections contract to recover the difference between the towed vehicle storage fees and the lien sales/salvage revenue recovered. In addition, a \$5 per year fee is proposed in order to begin covering costs of providing required hazardous material education services to the following types of facilities: multi-unit housing, hotels/motels, food facilities, hazardous waste generators, medical waste facilities, and those receiving site education visits related to the National Pollution Discharge Elimination System (NPDES).

For a complete listing of proposed FY 04 Fee Adjustments, including those mentioned above that relate to the Plan, please refer to **Attachment E** of this letter.

Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
Existing Fees	(\$4,541,340)	0	11.9%

In order to achieve reductions to the structural deficit, increases in some penalties and fees are proposed for FY 04. No existing taxes are proposed to be increased in FY 04. The fee increases included are designed to recover the cost of providing the associated service, and in no cases would the fees exceed such costs. Consideration has also been given to comparable fees charged by surrounding cities. Included in this proposed budget are increases such as parking citation and City-owned garage increases, elimination of the Business License Tax discount that was discontinued in December 2002, fire plan check fees, and some recreation fees such as those for adult sports and recreation swim. Increases in gas service connection and reconnection fees will help offset the cost of providing natural gas connection services, and raising the utility payment late from 1 percent to 1.5 percent can provide significant revenue, while not placing an undue burden on the community.

For a complete listing of proposed FY 04 Fee Adjustments, including those mentioned above that relate to the Plan, please refer to **Attachment E** of this letter.

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Category	FY 04 Dollars	FY 04 FTE	Percent of the Solution
One-time Revenues/Transfers	(\$17,491,084)	0	N/A

Although one-time revenues do not solve the structural deficit, their use is critical to the Plan's approach to solve the problem over a number of years without relying on harsh cuts of services to the community. This budget proposes to use approximately \$12.8 million in carryover funds from FY 03 as well as \$17.5 million in additional one-time revenues and transfers to balance the FY 04 budget¹. The \$12.8 million carryover primarily originated from the City Manager departments hiring freeze and purchasing review that produced significant savings in FY 03. These savings also allowed the City to defer certain one-time revenues planned for use in the FY 03 budget that can be used to help balance the FY 04 budget. While the use of one-time revenues is more than was originally contemplated in the Three-Year Plan, it is significantly less than was used in the FY 03 budget. It allows the City to balance this year's budget without creating new reductions that have not been discussed openly with the public or having to move forward with less palatable reductions planned for FY 05 or FY 06. One-time revenues and transfers planned for the FY 04 budget include revenues from refinancing the SERRF debt, Airport repayment of a previous loan, and transfers from the City's General Services Fund and Employee Benefits Fund. The City is determined to rightsize the budget, eliminate the structural deficit and the City's reliance on one-time funds over the next three years; however, prudent uses of one-time revenues can be a useful tool to implement this multi-year strategy while maintaining core services to the community.

¹ As the budget was being prepared for publication, the State Legislature adopted its budget. The State Budget will reduce City revenues by as much as \$10 million, and possibly more, thereby effectively eliminating the \$12.8 carryover.

Uncontrollable and Negotiated Cost Increases

Description	Fund	Cost	Offset	Offset Description
<i>CITY MANAGER</i>				
▪ Rent Increase for Citizen Police Complaint Commission Facility	General	\$1,529	-	-
<i>FINANCIAL MANAGEMENT</i>				
▪ Maintenance Agreements for Commercial Services Equipment (Payment Processing, Cashiering and Calling Campaign Equipment)	General, Water, Gas, Sewer, Refuse	\$5,612	(\$5,612)	Revenue
▪ Annual Financial Audit Contract	General	\$19,519	-	-
<i>FIRE DEPARTMENT</i>				
▪ Emergency Operations Center (EOC) Custodial and Maintenance Services	General	\$75,000	-	-
▪ Required Drug Testing for Firefighters Association (Negotiated in Memorandum of Understanding)	General	\$8,000	(\$8,000)	Cost Reduction
<i>HUMAN RESOURCES</i>				
▪ Supplemental Insurance Premium Increases	Insurance	\$323,613	-	-
<i>LONG BEACH ENERGY</i>				
▪ Consumer Price Index (CPI) Increase in Recycling Collections Contract	Refuse and Recycling	\$103,201	(\$160,044)	Revenue
▪ Increase in South East Resource Recovery Facility (SERRF) Tip Fees	Refuse and Recycling	\$1,464,664	(\$1,530,867)	Revenue
▪ Increase in non-SERRF Refuse Disposal Costs	Refuse and Recycling	\$24,430	(\$8,041)	Partial Revenue
▪ Cost Associated With State Fee for Towing/Lien Sales of Vehicles	Towing	\$100,000	(\$100,000)	Revenue
<i>POLICE DEPARTMENT</i>				
▪ Negotiated Conversion of Police Corporals to Police Lieutenants and Police Officers	General	\$514,988	(\$520,004)	Cost Reduction

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Description	Fund	Cost	Offset	Offset Description
<i>PUBLIC WORKS</i>				
▪ Lease of Modular Building Units	Airport	\$200,000	(\$200,000)	Revenue
▪ Lease of Boeing Parking Lot	Airport	\$900,000	(\$900,000)	Revenue
▪ Lease of Long Beach City College Parking Lot	Airport	\$258,188	(\$258,188)	Revenue
<i>CITYWIDE</i>				
▪ Citywide Increases in Workers' Compensation Costs	All Funds	\$14,000,000	-	-
▪ Citywide Increases in General Liability Costs	All Funds	\$3,000,000	-	-
▪ Citywide Increases in Cost of Health/Dental Benefits	All Funds	\$7,280,000	-	-
▪ Previously Negotiated 3 Percent Salary Increase for Miscellaneous (Non-Safety/Management) Employees	All Funds	\$2,600,000	-	-
<i>TOTAL</i>		\$30,878,744	(\$3,690,756)	

ATTACHMENT C

Proposed Enhancements

Description	Fund	One Time Cost	Cost	Offset	Offset Description
COMMUNITY DEVELOPMENT					
▪ Project Development Bureau Established Due to Reorganization	General		\$200,000	(\$200,000)	Revenue
▪ Citywide Business Development and Attraction Marketing Program	General		\$69,000	(\$69,000)	Revenue
▪ Create Marketing and Sponsorship Program	General		\$121,261	(\$1,000,011)	Revenue
FINANCIAL MANAGEMENT					
▪ Purchase Database from Franchise Tax Board to increase return on Business License Tax	General	✓	\$60,000	(\$60,000)	Revenue
▪ Combine Long Beach Energy's Call Center with Financial Management's to Increase Efficiency	General		\$81,243	(\$81,243)	Revenue
▪ Real Time Credit Card Processing	Gas, Water, Sewer, Refuse		\$50,000	(\$50,000)	Revenue
HEALTH AND HUMAN SERVICES					
▪ Grease Trap Permit and Inspection Program	Health		\$79,967	(\$96,000)	Revenue
PARKS, RECREATION AND MARINE					
▪ New Water Park Amenities at Cesar Chavez Park	General		\$82,771	(\$82,771)	Revenue
▪ Daisy Lane, Martin Luther King Jr., and Veterans Day Parade Costs	General	✓	\$100,000	(\$100,000)	Revenue
▪ Aquatics Festival 2004 Event Costs	Tidelands	✓	\$150,000	-	-
▪ Increase in Contractual Services for Special Events Bureau	Special Advertising & Promotion		\$50,000	(\$50,000)	Revenue
▪ Increase in Contractual Services for Aquatic Camps	Tidelands		\$10,000	(\$10,000)	Revenue

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Description	Fund	One Time Cost	Cost	Offset	Offset Description
PLANNING AND BUILDING					
▪ Additional Staff for the Construction Regulation Program to Address High Demand Due to Increased Construction Activity ¹	General		\$217,666	-	-
▪ Add Planner V in Advance Planning	General		\$94,818	(\$94,818)	Revenue
▪ Add Inspector to Issue Citation Tickets for the Property Maintenance Program	General		\$95,268	(\$95,268)	Revenue
▪ Create Planning Bureau Manager and Consolidate with Environmental Services Officer	General		\$161,210	(\$161,210)	Revenue/Cost Reduction
▪ Add Planner V for Zoning and Land Use	General		\$94,818	(\$94,818)	Revenue
PUBLIC WORKS					
▪ Increased Funding for Graffiti Abatement Program	General	✓	\$200,000	-	-
▪ New Alley Improvement Program	Gas Tax and Capital Projects		\$500,000	(\$500,000)	Revenue
▪ Add One Airport Security Officer IV	Airport		\$55,271	(\$55,271)	Revenue
▪ Add Five Airport Security Officer II	Airport		\$234,987	(\$234,987)	Revenue
▪ Add Four Airport Operations Assistant I	Airport		\$167,756	(\$167,756)	Revenue
▪ Add Five Airport Security Officers III and Vehicles	Airport		\$383,879	(\$383,879)	Revenue
▪ Replace Partitions in Six Restrooms at Airport	Airport	✓	\$22,000	(\$22,000)	Revenue
▪ Purchase 20 Steel Plates to Mitigate Pavement Failure on Airplane Ramps and Taxiways	Airport	✓	\$27,000	(\$27,000)	Revenue
▪ Purchase Two Automatic External Defibrillators	Airport	✓	\$6,510	(\$6,510)	Revenue
▪ Administer National Pollutant Discharge Elimination System (NPDES) Issues at Long Beach Airport	Airport		\$73,846	(\$73,846)	Revenue

¹ This enhancement will be funded by existing construction regulation fees that can be used only for this program.

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Description	Fund	One Time Cost	Cost	Offset	Offset Description
▪ Add Special Projects Officer	Airport		\$96,497	(\$96,497)	Revenue/Cost Reduction
▪ Add Five Maintenance Assistant II for Custodial Duties at the Airport	Airport		\$197,503	(\$197,503)	Revenue
TECHNOLOGY SERVICES					
▪ Additional Automated Tape Library (ATL) to Handle Computer Backup	General Services	✓	\$12,000	(\$12,000)	Revenue
TOTAL			\$3,695,271	(\$4,022,388)	

**CITY OF LONG BEACH
GENERAL FUND REVENUES
(Based on June 2003 YTD)**

TOP 40 GENERAL FUND REVENUES	FY 01 ACTUALS	FY 02 ACTUALS	FY 03 ADJ BUD	FY 03 ETC	FY 04 JUNE PROP
SECURED REAL PROPERTY TAXES	\$ 42,766,550	\$ 45,841,330	\$ 47,783,000	\$ 48,341,000	\$ 50,414,000
CITY SALES AND USE TAX	40,504,603	38,427,651	39,378,000	41,829,000	41,287,000
MOTOR VEHICLE IN LIEU TAX	26,573,298	27,434,551	27,450,000	27,969,000	28,249,000
ELECTRIC USERS TAX & PENALTIES	23,875,249	27,424,247	23,402,000	24,156,000	18,272,000
TELEPHONE USERS TAX & PENALTIES	20,081,378	19,395,152	17,461,000	18,796,000	18,562,000
BUSINESS LICENSE TAXES	7,805,588	7,800,764	7,800,000	8,260,000	8,899,600
PARKING CITATIONS	7,234,767	7,626,582	7,387,050	7,382,000	8,480,050
HARBOR-FIRE	6,956,804	5,958,072	6,906,130	6,906,130	7,483,792
ELECTRIC COMPANY FRANCHISES	5,389,266	6,389,618	6,548,000	6,870,000	5,997,000
PIPE LINE FRANCHISES	20,417,032	3,586,877	4,638,000	6,668,000	5,500,000
TRANSIENT OCCUPANCY TAX	6,667,920	6,223,373	6,231,000	6,463,000	6,829,000
GAS TAX-MAINTENANCE CHARGES	4,360,000	6,885,310	6,308,973	6,308,973	6,308,973
GAS USERS TAX & PENALTIES	8,968,480	4,824,243	4,121,000	5,343,000	4,580,000
MISC GRANTS FEDERAL	5,535,391	5,001,551	5,065,593	5,090,827	1,525,778
INTEREST-POOLED CASH	8,165,344	6,100,662	5,853,053	4,631,430	3,386,316
EMERGENCY AMBULANCE FEES	4,254,431	4,287,706	4,805,936	4,000,000	4,350,000
GAS-BILLING & COLLECTION SERVICES	3,774,571	3,855,266	3,891,241	3,891,241	3,945,157
AMERICAN GOLF LEASE	3,669,406	3,637,159	3,944,465	3,844,465	3,094,465
LAND,BLDG,R/W,EASEMENT,APT RENTALS	4,019,510	4,124,532	3,313,213	3,790,267	3,148,097
WATER USERS TAX & PENALTIES	4,226,131	4,252,224	3,827,000	3,657,000	3,197,000
PROP 172 FUNDS (SB509)	3,635,867	3,456,482	3,616,000	3,619,000	3,619,000
CIP-ENGINEERING CHARGES	2,835,270	3,627,776	2,823,052	3,338,268	3,047,416
VEHICLE CODE FINES	3,220,225	3,453,978	3,500,000	3,200,000	3,500,000
UNSECURED PERSONAL PROPERTY TAXES	2,727,592	2,234,790	2,635,000	2,809,000	2,809,000
AIRPORT-FIRE	2,314,010	3,333,922	2,640,783	2,640,783	3,331,826
OTHER DEPT SVCS TO PROPRIETARY FUNDS	1,301,760	2,176,815	2,353,410	2,475,844	2,655,893
WATER-BILLING & COLLECTION	2,032,236	2,209,669	2,389,795	2,389,795	2,423,128
OIL PRODUCTION TAX	2,365,145	2,253,947	2,184,000	2,261,000	2,077,000
MISC REVENUE FROM OTHER AGENCIES	939,051	697,782	1,309,897	2,244,564	2,249,030
BUILDING PERMITS	1,454,528	2,322,543	1,450,000	2,123,500	1,500,000
OTHER DEPT CHGS TO GOVT'L FUNDS	2,605,869	2,322,250	2,051,324	2,002,714	2,202,737
INTEREST-LOAN REPAYMENTS	54,386	1,768,108	831,889	1,818,407	596,251
PIPELINE SAFETY FEES	1,638,383	1,624,451	1,638,383	1,702,146	1,703,000
REFUSE-BILLING & COLLECTION SERVICES	1,449,025	1,518,566	1,616,925	1,616,925	1,648,534
BUILDING PLAN CHECK FEES	1,709,266	1,892,863	1,600,000	1,555,003	1,600,000
ASSET MANAGEMENT CHARGES	1,294,476	1,339,500	1,493,372	1,499,372	1,493,372
SIGNAL HILL FIRE SVC CHARGE	1,000,283	1,126,070	1,037,000	1,492,070	122,000
CHARGES FOR SPECIAL SERVICES	1,357,479	1,324,160	1,939,365	1,371,053	4,049,603
MISC REFUNDS & REIMB	1,126,566	1,775,295	1,034,802	1,290,875	1,659,302
TRANSFERS FROM OTHER FUNDS	19,272,496	23,202,789	53,448,685	46,905,477	38,969,031
SUBTOTAL TO 40 GENERAL FUND REVENUES	\$ 309,579,632	\$ 302,738,628	\$ 327,708,336	\$ 332,553,129	\$ 314,765,351
SUBTOTAL ALL OTHER REVENUES	\$ 32,208,443	\$ 65,315,735	\$ 39,348,837	\$ 39,237,085	\$ 34,982,439
TOTAL	\$ 341,788,075	\$ 368,054,363	\$ 367,057,173	\$ 371,790,215	\$ 349,747,790

*OTHER REVENUES INCLUDE \$2.5 MILLION OF UNRESERVED FUNDS.

Proposed FY 04 Fee Adjustments By Department

FEE DESCRIPTION	FUND	ANNUAL REVENUE
<i>COMMUNITY DEVELOPMENT</i>		
▪ Long Beach Enterprise Zone Program of \$30 per Application	General	\$69,000
<i>FINANCIAL MANAGEMENT (Citywide XC)</i>		
▪ Increase Late Fees on Utility Bills from 1 percent to 1.5 percent	General	\$225,000
▪ Raise Certain Parking Citation Penalties Including "Exceeded Time Limit", "No Parking by Sign" and "Blue Curb Street"	General	\$250,000
▪ Raise Fees for Business License Regulatory Permits & Investigations Including "Business Alarm System Regulatory Fee", "Pool Hall Investigation Fee", "Garage Sale Fee" and "Entertainment with Alcohol and Dancing Investigation Fee" ¹	General	\$100,000
▪ Increase Returned Check Fees from \$15 to \$30	General	\$600,000
▪ Preferential Parking Permits Cost Recovery	General	\$20,000
▪ Apply a Pipeline Permit to the Water Department	General	\$2,500,000
<i>FIRE DEPARTMENT</i>		
▪ Increase Fire Plan Check Fees from 50% to 75% of Planning and Building Plan Check Fees	General	\$250,000
<i>HEALTH AND HUMAN SERVICES</i>		
▪ New Animal Control Fees such as Vicious Animal Permit Re-inspection Fee, and Increases in Fees such as Dead Animal Disposal, Transporting Animals, Impounds and Daily Boarding, Late Fees for Licenses, Trap Rentals, Euthanasia; and Owner-Relinquished Animals	General	\$35,000
▪ Hazardous Materials Education Program of \$5 per Year for Multi-unit Housing, Hotels, Food Facilities and Hazardous Waste Generators	General	\$57,940
▪ Environmental Health Fees Increase of 5% to Health Permit Fees in the Food, Water and CUPA (hazardous waste generator) Programs to Cover Program Costs	Health	\$87,379
▪ Multi-Unit Dwelling Inspection Fee (11 – 21 units or more)	Health	\$16,000
<i>LONG BEACH ENERGY</i>		
▪ Citation Rate Increase for Street Sweeping Violations from \$30 to \$35	General	\$775,000

¹ These fees have not been increased since the 1960s and will be raised to recover the cost of providing the service.

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FEE DESCRIPTION	FUND	ANNUAL REVENUE
<ul style="list-style-type: none"> ▪ Increased Fee for Providing Natural Gas Services (monthly average of 94 cents per household) to Fund Necessary Infrastructure and Operating Costs ▪ Revise Gas Main and Service Fee Line Schedule for Developer-Funded Installation and/or Extension of Natural Gas Distribution Projects ▪ Increase Natural Gas Service Establishment Fees from \$25 to \$35 ▪ Increase Natural Gas Reconnection Fee from \$16 to \$36 ▪ Increase Towing Yard Daily Storage Fees from \$20 to \$25 ▪ Implement Towing Yard After Hours Release Fee of \$50 	<p style="text-align: center;">Gas</p> <p style="text-align: center;">Gas</p> <p style="text-align: center;">Gas</p> <p style="text-align: center;">Gas</p> <p style="text-align: center;">Towing</p> <p style="text-align: center;">Towing</p>	<p style="text-align: center;">\$2,200,000</p> <p style="text-align: center;">\$30,000</p> <p style="text-align: center;">\$360,000</p> <p style="text-align: center;">\$500,000</p> <p style="text-align: center;">\$250,000</p> <p style="text-align: center;">\$50,000</p>
<p><i>PARKS, RECREATION AND MARINE</i></p> <ul style="list-style-type: none"> ▪ Various Swimming Pool Fee Increases at Silverado and King Pools for Admission, Group and Private Lessons, Swim Meets, Business Rentals and Filming. ▪ Athletic Field Preparation (first field from \$44 to \$55; second field from \$27 to \$30) ▪ Extended Day Care Fee Increase of \$5 per week ▪ Various Blair Field Fee Increases for Field Rental Rates, Light Fees, Field Preparation Fees, and Rent from Parking and Non-Food Concessions. ▪ Youth Services Network Membership Fee of \$20 ▪ Chavez Water Park \$1 Admission Fee ▪ Average Adult Sports League Fee Increases of \$30 to \$40 and an Increase in the Number of Volleyball and Basketball Teams ▪ Reinstate \$1 Summer Recreation Swim Fee ▪ Community Pools -- Swim Class Fee Increase of \$5 per Class ▪ Light Fee Waiver Decrease from 100% to 60% for Youth Groups ▪ Sand Stake Permit Fee of \$210 for 11 Month Use of the Sand Stakes ▪ Various Swimming Pool Fee Increases at Belmont Pool for Admission, Group and Private Lessons, Swim Meets, Business Rentals and Filming ▪ Leeway Sailing Center Fee Increases of \$4 for Kayak, Canoe, Sabot, and Capri Classes ▪ Establishment of Marine Facility Rental Fee at 223 Marina Drive and Mosey Kent Park Ranging from \$100 to \$300 ▪ Fee Increases for New Live-aboard Residents to Cover Services and Utility Costs ▪ Shore Mooring Permit Fee Change to \$6 Per Foot Per Day for Special Events 	<p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">General</p> <p style="text-align: center;">Tidelands</p> <p style="text-align: center;">Tidelands</p> <p style="text-align: center;">Tidelands</p> <p style="text-align: center;">Tidelands</p> <p style="text-align: center;">Tidelands</p> <p style="text-align: center;">Tidelands</p>	<p style="text-align: center;">\$1,340</p> <p style="text-align: center;">\$2,000</p> <p style="text-align: center;">\$4,500</p> <p style="text-align: center;">\$5,000</p> <p style="text-align: center;">\$1,000</p> <p style="text-align: center;">\$16,430</p> <p style="text-align: center;">\$30,000</p> <p style="text-align: center;">\$15,000</p> <p style="text-align: center;">\$15,000</p> <p style="text-align: center;">\$50,000</p> <p style="text-align: center;">\$1,489</p> <p style="text-align: center;">\$660</p> <p style="text-align: center;">\$2,000</p> <p style="text-align: center;">\$3,000</p> <p style="text-align: center;">\$900</p> <p style="text-align: center;">\$0</p>

ATTACHMENT E

FEE DESCRIPTION	FUND	ANNUAL REVENUE
<ul style="list-style-type: none"> ▪ Aquatic Camp Fee Increase of \$20 per week ▪ New \$35 Application Fee for Festival Operators ▪ Fee for Street Closures for Merchant Association and Community Groups (Increase for Merchant Associations from \$25 to \$35 and New Fee of \$35 for Community Groups) ▪ Bill Processing Administrative Fee of 6.5% for Special Event Sponsors ▪ Various Application Fee Changes for Use of Public and Tidelands Properties for Profit and Non-Profit Groups ▪ Special Events Bureau Fees for On-site Staff Assistance of \$100 Per Hour for Staff Monitoring/Site Visits and \$50 Per Hour for Staff at Special Events and Filming Locations ▪ Still Photography Film Program Application Fee of \$50 for Adults and \$20 Fee For Students ▪ Moving Film Application and Permit Fee Increase of \$50 for Applications and Increase of \$25 Per Day ▪ Public Property Block Party Use Fee Increase From \$25 to \$35 	Tidelands Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions Special Advertising & Promotions	\$10,000 \$875 \$1,195 \$63,895 \$11,030 \$29,400 \$3,850 \$65,360 \$1,250
<i>PLANNING AND BUILDING</i>		
<ul style="list-style-type: none"> ▪ Proposed Fee Increases for Zoning and Environmental Processing Services Such as General Plan Amendments, Conditional Use Permits, Administrative Use Permits, Standard Variances, Sign Permits, and Zoning Plan Checks ▪ General Plan Surcharge of 1.5% on Permit and Plan Check Fees 	General General	\$141,844 \$93,784
<i>TECHNOLOGY SERVICES</i>		
<ul style="list-style-type: none"> ▪ Raise Civic Center Monthly Parking Rates by \$10 and Daily Maximum Rate By \$1.50 	Civic Center	\$170,000
<i>TOTAL</i>		\$9,116,121

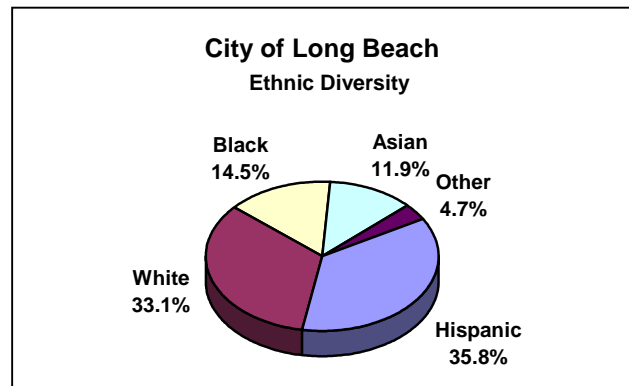
Understanding The City's Budget



City of Long Beach Demographics

GOVERNMENT

The City of Long Beach, California covers approximately 52 square miles on the southern coast of Los Angeles County. With a current population of approximately 481,000, Long Beach is the second largest city in Los Angeles County and the fifth largest city in the state. It is a diverse and dynamic city that, based on the 2000 Census, has the following ethnic breakdown: 35.8% Hispanic, 33.1% White, 14.5% Black, 11.9% Asian, and 4.7% all other ethnicities.



Long Beach was originally incorporated in 1888. After a short period of disincorporation, the City was reincorporated on December 3, 1897. Since 1921, Long Beach has been governed as a charter city, and operates under a Council-Manager form of government.

The City Council is made up of nine members, elected by district. The Mayor is chosen in a citywide election to serve as the full-time chief legislative officer of the City. Although the Mayor does not vote, the Mayor presides over City Council meetings, presents the annual budget to the City Council and has veto power over Council actions. The Vice-Mayor is elected by the Council from among its members.

The City has three other full-time elected officials: City Attorney, City Auditor and City Prosecutor. The City Council appoints the City Clerk and City Manager. The Mayor nominates and the City Council approves members to various boards and commissions. The Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners oversee operations of their respective departments while all other City departments report directly to the City Manager.

The City Manager serves at the discretion of the City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices and the three semi-autonomous commissions. The City currently employs approximately 5,850 full-time equivalent positions within 22 departments.

In addition to the usual municipal services of police, fire, public works, library, and parks and recreation, the City of Long Beach owns and operates a leading deep-water port, offshore and onshore oil production, a gas utility, a water utility, a convention and entertainment center, aquarium, museum, two historic ranchos, a commercial airport, marinas and golf courses.

EDUCATION

The Long Beach Unified School District is the third largest public school system in California and serves over 97,000 kindergarten through twelfth grade students. The district's 95 schools are located in Long Beach, Signal Hill, Lakewood, and on Catalina Island. Long Beach City College has an enrollment exceeding 27,000 students. The college offers 130 Associate of Arts/Science degree programs, and the opportunity to complete up to two years in any of 81 baccalaureate programs for transfer to a four-year college or university.

California State University, Long Beach (CSULB) is the State University system's second largest campus. With approximately 34,566 students, CSULB offers 77 baccalaureate programs, 63 master degree programs, and one joint doctoral degree. Through University College and Extension Services, more than 33,000 students attend 550 credit and non-credit courses offered year-round.

BUSINESS AND INDUSTRY

The City of Long Beach is a center for aerospace, petroleum, shipping and tourism, along with a wide variety of office and retail opportunities. Downtown alone is home to 4.1 million square feet of commercial office space.

Currently, the largest employer within the city is the Long Beach Unified School District, which operates 90 regular and five charter schools. The district's workforce of 11,096 employees ensures the success of students by maintaining high standards, a commitment to excellence, and by offering a comprehensive scholastic program.



The City's second largest employer, the Boeing Corporation, operates a 424-acre facility at the Long Beach Airport where they employ approximately 10,500 persons. The facility exceeds 6.7 million square feet of space and is currently utilized for the production of the Boeing 717 commercial jetliner, the C-17 military transport plane, and program support for production lines in other locations. In what will be one of the region's largest land redevelopment efforts, Boeing is in the process of converting 260 acres of their facility from industrial to commercial use in an effort to provide quality industrial, research and development space.

Other major employers in the City include California State University, Long Beach; the City of Long Beach; the Long Beach Memorial Medical Center; and the Veteran's Administration Medical Center.

Rank	Employer	Employees As of May 2003
1	L.B. Unified School District	11,096
2	Boeing	10,500
3	City of L.B. (includes part-time)	6,554
4	CSULB (includes part-time)	5,609
5	L.B. Memorial Medical Center	4,400
6	V.A. Medical Center	3,000
8	L.B. City College	2,000
7	St. Mary Medical Center	1,900
9	United States Postal Service	1,900
10	Gulfstream Aerospace Corp.	1,020

Oil production, private and municipally-owned, continues to be an important business in Long Beach with both offshore and onshore facilities. The Long Beach Unit Optimized Water-Flood Injection Process, authorized by State legislation, has improved oil recovery and lengthened field life in the Wilmington Oil Field. Continued application of new technology is expected to further increase oil recovery.

The Port of Long Beach remains one of the busiest container ports in the world. During Fiscal Year 2002, throughput exceeded approximately 4.7 million twenty-foot equivalent units

(TEU) and 126 million metric revenue tons. International trading partners include the Pacific Rim nations of Japan, China, Taiwan, and Korea. In addition to containers, the Harbor facility handles crude and refined petroleum products, dry bulk such as coal, coke and cement; automobiles, lumber, paper and fruit; steel and scrap metal.

As California's largest urban Enterprise Zone, Long Beach offers businesses five categories of State tax incentives aimed at stimulating new private investment, business expansion and job creation. These incentives include: sales tax credits; hiring tax credits; business expense deductions; net operating loss carryover and a net interest deduction for lenders. Over 10,000 businesses of varying sizes are in the Enterprise Zone. The Enterprise Zone designation is in place until 2007.

Tourism continues to be a growing industry in Long Beach, and the City attracts over 5.5 million visitors a year. A vital part of that industry is the Long Beach Convention and Entertainment Center. The Center's facilities include a 224,000 square-foot exhibit hall, 83,000 square feet of meeting room space, a ballroom able to comfortably seat 1,600, a 13,600-seat arena, and two theaters in the elegant Long Beach Performing Arts Center. Additionally, over 2,500 hotel rooms are within walking distance of the Convention Center.

The world-class Long Beach Aquarium of the Pacific, on Rainbow Harbor, is located across the water from the Convention Center, Shoreline Village and the historic Queen Mary. The Aquarium is home to 12,000 ocean animals from over 550 species indigenous to the Pacific Rim. It is a milestone in design, architecture and technology for the 21st century.

MAJOR DEVELOPMENTS

Construction continues on The Pike at Rainbow Harbor, a 350,000-square foot commercial complex consisting of restaurant, retail, and entertainment uses. The Pike will be a major waterfront attraction located between the Convention Center, the Aquarium of the Pacific and Rainbow Harbor. In addition, the adjacent Park at Harbour View is a \$250 million multi-phase, mixed-use development currently under construction and will include 538 apartments, 246 condominiums, a 500-room hotel, as well as office and retail space. Ocean Villas, a \$100 million luxury high-rise residential development at 350 East Ocean Boulevard broke ground in 2002 and will consist of 17-story twin towers containing 556 condominium units.



Construction is being completed for CityPlace, a major component in the revitalization of the downtown area. This \$75 million mixed-use development includes 370,000-square feet of urban scaled destination retail anchored by Wal-Mart; 85,000-square feet of neighborhood retail anchored by Albertson's and Sav-On; Nordstrom Rack and Ross stores; and up to 350 units of market rate housing for rent and for sale.



Carnival Cruises opened up its western United States cruise ship terminal at the Queen Mary in April 2003. The terminal is home to two 855-foot cruise ships with approximately 330,000 annual passengers. This project also includes renovation of a one-third of the former Spruce Goose Dome for a Carnival Cruise Line embarkation facility; a five-story, 1,300-space parking structure; and a new fire station with rescue boats for the surrounding area.

Passenger and aircraft traffic continue to be robust at the Long Beach Airport, as air carrier operations approach the 41-flight level permitted under the City's Noise Ordinance. Airport capital projects for FY 04 are focused on safety, security, and major infrastructure rehabilitation. The rehabilitation of Runway 12-30, the Airport's main runway for air carriers, is the primary project that will be undertaken this year. Other improvements to facilities include a new boarding lounge to provide needed passenger gates and a new concession area; an expanded baggage claim area; a new security screening area; and improved signage from the I-405 Freeway into the Airport.

Several key public safety projects currently remain under construction: the Emergency Communications and Operations Center, the North Division Police Station, the Public Safety Building Retrofit, and refurbishment of Fire Station #1. These projects will provide much needed facilities and will assist the Police and Fire Departments in continuing to deliver quality public safety services to both residents and visitors.

Future projects include the development of the Promenade, the North-South pedestrian right-of-way between 1st and 5th Streets. Construction is estimated to begin in 2003 for this urban, pedestrian-oriented, mixed-use development that will complement the Pine Avenue entertainment, East Village Arts, Convention Center and Pike areas. The West Gateway project, another mixed-use development, incorporates all or portions of seven blocks north of Broadway adjacent to the I-710 freeway with ground level neighborhood retail with approximately 800-1,000 residential units.

The Budget Process

The Fiscal Year 2004 (FY 04) Budget covers the period October 1, 2003 through September 30, 2004. The Budget document is divided into five sections: a summary of the City's Performance Management Initiatives, Budget Summaries, Budgets by Department, Fund Summaries and the Capital Improvement Program.

THE BUDGET PROCESS

The Budget is the most important policy document the City produces on an annual basis. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. This can only be achieved through a preparation process that encourages communication and transparency, seeking input from a diverse cross-section of the community, while offering ample opportunities for review and revision. The following is the general budget preparation process, based upon the FY 04 Budget experience, which for the first time utilizes the City's Three-Year Financial Strategic Plan as a guide for budget development.

Beginning in February, the City Manager and Department of Financial Management provide clear budget development instructions to departments, requesting they begin making initial preparations for their proposed operating budgets.

From March through June, departments complete their proposed budgets based on the revenue and expenditure recommendations contained in the Three-Year Plan as targets. In July the City Manager assembles department proposals into a coherent Proposed Budget that reflects the economic environment, fiscal condition and priority needs of the City.

Based upon the City's desire for greater communication and transparency, a series of community events is initiated in mid-July through the Budget's adoption by the City Council in September, designed to encourage active public dialogue regarding the Proposed Budget. Activities include a citywide Budget Summit, neighborhood board, committee & commission meetings, budget workshops and hearings.

FY 04 BUDGET PREPARATION CALENDAR

Feb	City Manager and Financial Management issued budget preparation policies and instructions to departments
Mar	City Council endorsed Three-Year Financial Strategic Plan
Mar - Jun	Departments completed their operating budget proposals according to Three-Year Plan
May	CIP subcommittee reviewed projects
Jul	City Manager released preview of Proposed Budget and initiated public dialogue at a citywide Budget Summit
Aug 1*	City Manager submits Proposed Budget and CIP budget to Mayor
Aug 15*	Mayor submits Annual Budget with recommendations to City Council and Public
Aug	Community input continues through staff budget presentations at neighborhood board, committee and commission meetings
Sept	Weekly budget workshops and hearings continue at City Council meetings
Sept 30*	Budget adopted

*On or before

Per Charter mandate, the City Manager submits the Proposed Budget, on or before August 1 to the Mayor for review. The Mayor reviews the Proposed Budget and submits it, along with any recommendations, to the City Council on or before August 15. By City Charter, the annual City Budget for City funds and departments must be adopted prior to October 1, the beginning of the new fiscal year.

BUDGETS BY DEPARTMENT

The mission and goals of each department serve as the basis of their annual budgets. In this section, key information on the department's structure, mission, goals and the services to achieve these goals can be found. For FY 04, each department identified key challenges and opportunities for achieving the department's goals, and if relevant to the department, proposed structural deficit reduction measures as recommended by the Three-Year Financial Strategic Plan.

Detail on each department's proposed financial and staffing requirements to maintain the City's various services is provided. Expenditures are categorized consistently throughout the budget to show operational costs, using the following "characters" of expense: Salary, Wages, & Benefits; Materials, Supplies & Services; Internal Support; Capital Purchases; Debt Service; Transfers from Other Funds; and, Prior Year Encumbrances.

FUND SUMMARIES

The Budget includes proposed spending from many different "funds" which are required by State or Federal law, the City Charter or proper accounting practice. A fund consists of a separate set of accounts used to monitor the accomplishment of specified purposes, or uses of restricted revenues. Depending on the type of service provided, department expenditures may be authorized from a number of funds. Most traditional City services are funded through the General Fund.

THE CAPITAL IMPROVEMENT PROGRAM

The fifth section of the Budget is the proposed Capital Improvement Program (CIP), which presents proposed expenditures for major construction or repair of City facilities and buildings. A committee of department representatives meets during the year to select projects to be initiated. This committee also determines the timeframe of the projects, the sources of funding, and the operating impacts on the General Fund. The capital budget is based on a five-year program for investment in the City's infrastructure, which is adopted annually by the City Council as part of the budget process. A companion document, the proposed Fiscal Year 2004 One-Year Capital Improvement Program describes capital improvements in greater detail.

FINANCIAL INFORMATION

Adjustments to the Budget

During a fiscal year, special circumstances may result in changes to department spending priorities. Appropriations are made at the fund and department level. Transfers between programs or “characters of expense” require City Manager approval. Budget adjustments that require a modification to the amounts authorized by the Appropriations Ordinance require the approval of the City Council.

Basis of Accounting*

Governmental funds and expendable trust funds are maintained on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the period in which the liability is incurred, if measurable, except for unmatured principal and interest on general obligation debt, which is recognized when due.

**This information is taken from the Comprehensive Annual Financial Report of the City of Long Beach, California – September 30, 2002. For further information regarding the City’s accounting and debt management practices, please consult this document.*

Accounting Basis of Budgeting

The generally accepted accounting principles used as the accounting basis to prepare this Budget are the same as those used to prepare the annual financial report with the following exceptions: (1) encumbrances are considered to be expenditures for budget purposes but are not included in financial reporting; and (2) land held for resale is recorded as an expenditure when purchased and a revenue when sold for budget purposes. For financial reporting purposes, land is held as an asset and a gain or loss is recognized at the time of sale.

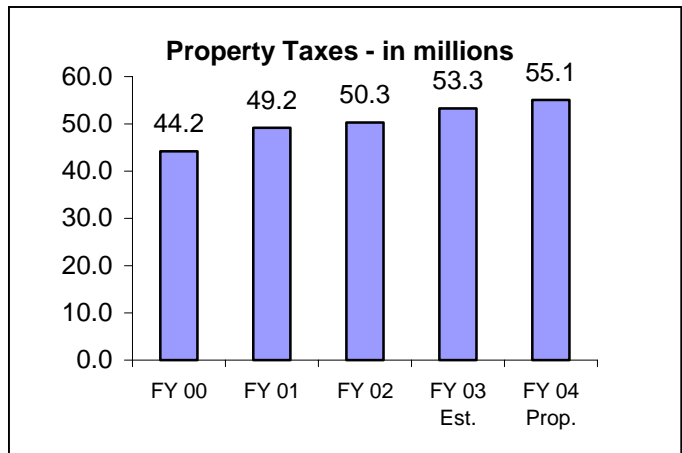
Investment Management

This function's primary goal is optimizing return on investment while simultaneously safeguarding principal and ensuring the liquidity levels necessary to pay for budgeted expenses. The City maintains general bank accounts for daily business requirements, but the majority of the City's funds are held in an investment pool administered by the City Treasurer. As of September 30, 2002, the Treasurer's investment pool was approximately \$1.141 billion divided into short-term and long-term portfolios. The short-term portfolio is managed for liquidity. The long-term portfolio is managed for enhanced yield. To measure performance, the City uses two benchmarks: the 91-Treasury Bill benchmark for the short-term component and the Merrill Lynch 1-3 year Treasury Index for long-term component.

General Fund Revenue

Property Taxes

Approximately 15.9% or \$55.1 million of the City's General Fund revenue is derived from local property taxes. Property, primarily land and buildings, is valued by the County Assessor and taxed at 1% of assessed value. Cities and other local agencies, such as schools, special districts, and the County of Los Angeles, share in the countywide property tax pool. The City of Long Beach only receives approximately 21% of property taxes paid by City property owners. In addition, the City's Redevelopment Agency receives 100% of certain specified property tax revenues generated within the redevelopment project areas. Due to the economy's growth and affect on property values, FY 04 property tax estimates assume revenue increases above FY 03 receipts. Property in the State of California is generally reassessed only upon change of ownership. During the late 1980s, the City was the beneficiary of a strong real estate market resulting in a dramatic increase in property tax receipts.



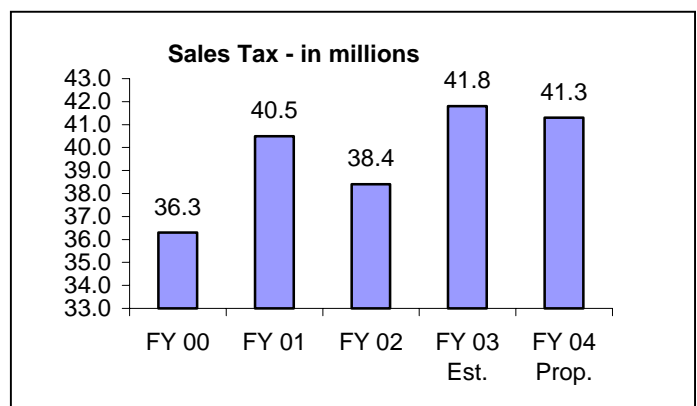
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The continuing inability of the State of California to provide funding for State programs through its ongoing revenues has required that the State turn to local government for help. As a result, the City's property tax estimates reflect the cumulative loss of \$4.8 million in FY 93, an additional \$8.7 million in FY 94, another \$0.9 million in FY 95 plus \$0.9 million in FY 95/FY 96 as a retroactive assessment, and \$0.3 million in FY 98. This \$15.6 million cumulative loss of property tax revenue is ongoing.

Property tax is a major source of revenue for critical City services such as police, fire, public works, recreation, and library services. Prior to the passage of Proposition 13 in 1978, property tax revenues accounted for approximately 28% of all General Fund revenues as compared to 15.9% now. Other revenues have been used to augment the decrease in this revenue source.

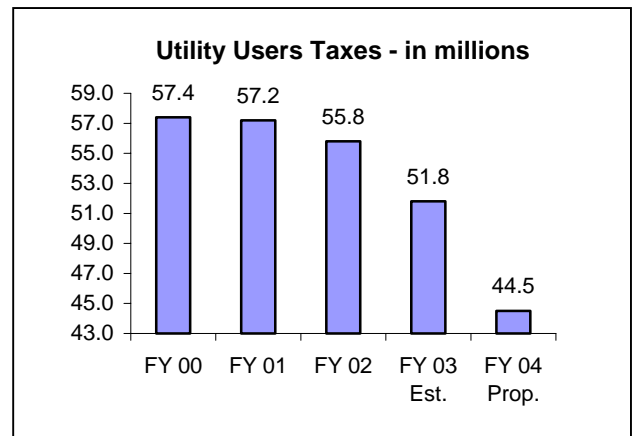
Sales Tax

Sales tax receipts are expected to account for \$41.3 million, or 11.9% of all General Fund revenues for FY 04. All taxable retail sales in Long Beach are charged an 8.25% tax. This amount includes 1.25% that goes to the County of Los Angeles, and 6.00% that is retained by the State. Only 1.0% is returned to the City by the State. Sales tax revenue varies from year-to-year due to fluctuations in the economy. The City must continue to promote economic development in order to bring sales tax revenues to a level comparable to other cities in Los Angeles County. FY 02 sales taxes have decreased over FY 01, but FY 03 projections are higher due to the improving economy and some one-time receipts.



Utility Users Taxes

The City applies a utility users tax to customer's electricity, gas, telephone, and water bills. These four revenue sources account for \$44.5 million or 12.8% of the City's General Fund revenues. A voter-approved initiative is reducing the utility user tax rate from 10% to 5% over a five-year period. The rate for FY 04 will be 6% effective October 1, 2003. These taxes do not apply to low-income senior citizens who are over 62 years of age or disabled low-income individuals.



Other Taxes

The City receives revenue from the Transient Occupancy Tax assessed on guests of all City hotels and motels, and from the Business License Tax assessed on all those doing business in Long Beach. Both taxes have been affected by the recession and the war in Iraq.

Licenses and Permits

This revenue comes to the City from a variety of licenses and permits. The largest revenue is generated by sale of building permits, building plan check fees, emergency ambulance fees and dog licenses.

Fines, Forfeitures and Penalties

Revenue is received by the City in this category primarily from vehicle code fines and parking citations. As part of its budget act several years ago, the State diverted 50% of cities' vehicle code fines to State uses. State Assembly Bill 233 brought these revenues back to the City effective July 1, 1998.

Revenue from Use of Money and Property

The City is able to generate income from its current assets. This includes interest earned on investments, land and facility rental, and parking meter revenue within the City. Interest earnings have been negatively affected by the decrease in interest rates.

Revenue from Other Agencies

The General Fund receives revenue from other cities, the County of Los Angeles, and the State. Revenue is received for the maintenance of traffic signals and parking meters under contract with smaller cities neighboring Long Beach, as well as unincorporated parts of Los Angeles County. The State provides funding through the Motor Vehicle In Lieu Tax. Other miscellaneous State funds are provided for maintenance of State highways, fire and peace officer training, and police extradition reimbursements. The budget reflects legislative action enacted that shifted all Cigarette Tax revenues to the State's General Fund.

Other Charges and Revenues

These miscellaneous charges include library fines and fees, police reports and sale of used equipment and vehicles.

Inter- and Intra-Fund Charges

Programs within the City that are funded by sources other than the General Fund often receive services from General Fund supported departments. This category includes reimbursement for these services.

Transfers from Other Funds

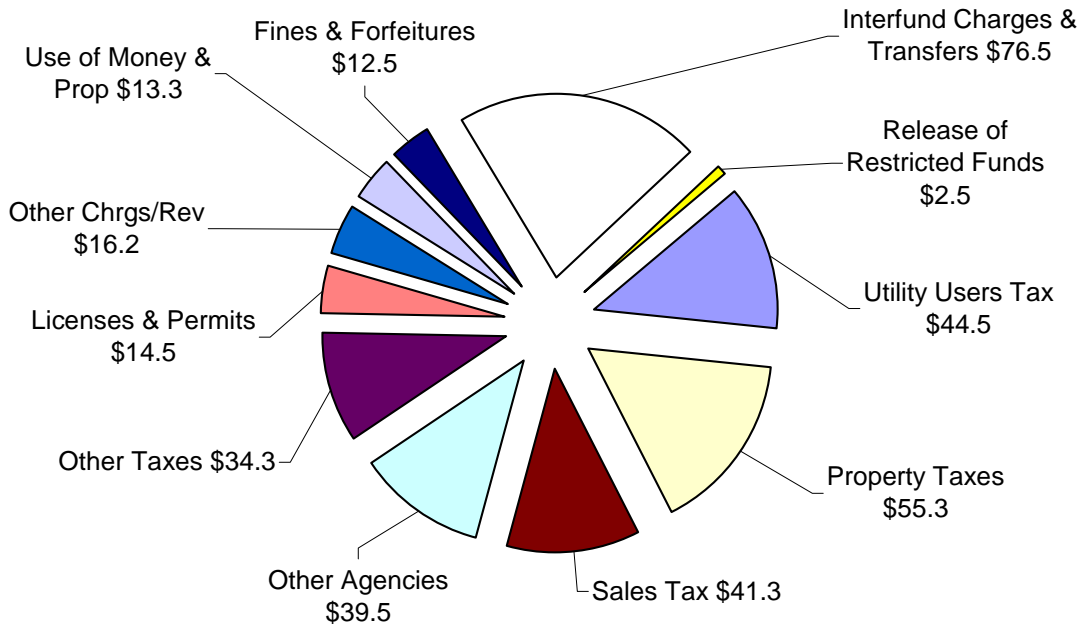
This category includes transfers, in lieu of property tax, to the General Fund from City enterprise and utility operations.

"Gann" Appropriations Limit

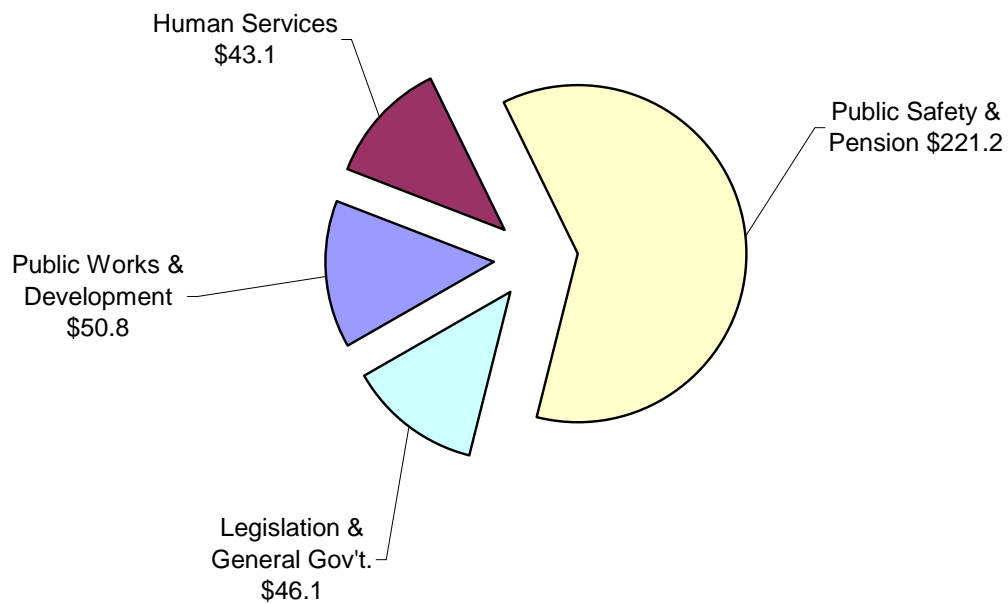
In November 1979, the voters of the State of California approved Proposition 4, commonly known as the "Gann Initiative." The Proposition created Article XIII B of the State Constitution, placing certain limits on the amount of revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79. Only those revenues that are considered "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors. Proceeds of taxes are, however, allowed to be spent on several types of appropriations that do not count against the Limit, including voter approved debt, the costs of complying with court orders and federal mandates, and expenditures for qualified capital outlays.

The "Gann" Appropriations Limit for the City of Long Beach for FY 04 has not yet been determined. However, the City does not anticipate a significant change from the FY 03 limit. Therefore, no Gann Limit issue is anticipated.

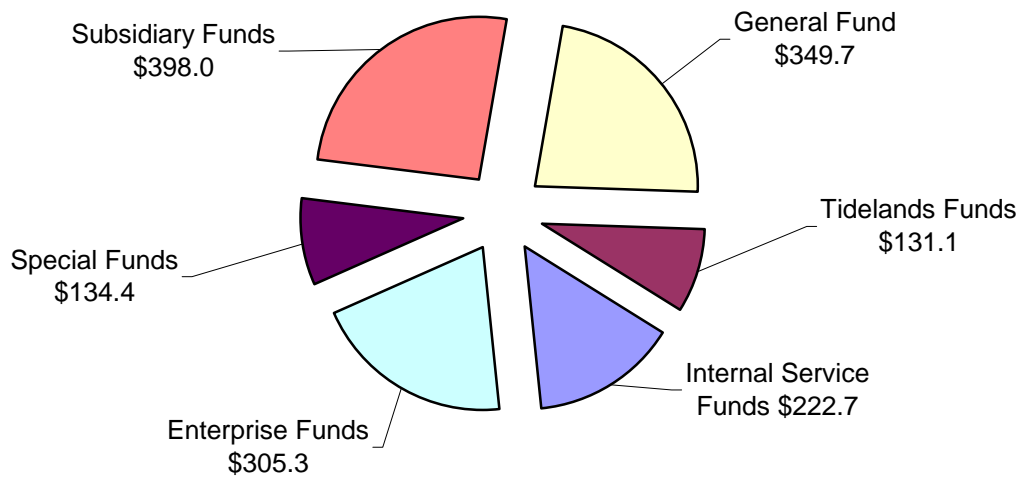
FY 04 Proposed Revenues General Fund
(in millions)
(Total = \$349.7 million)



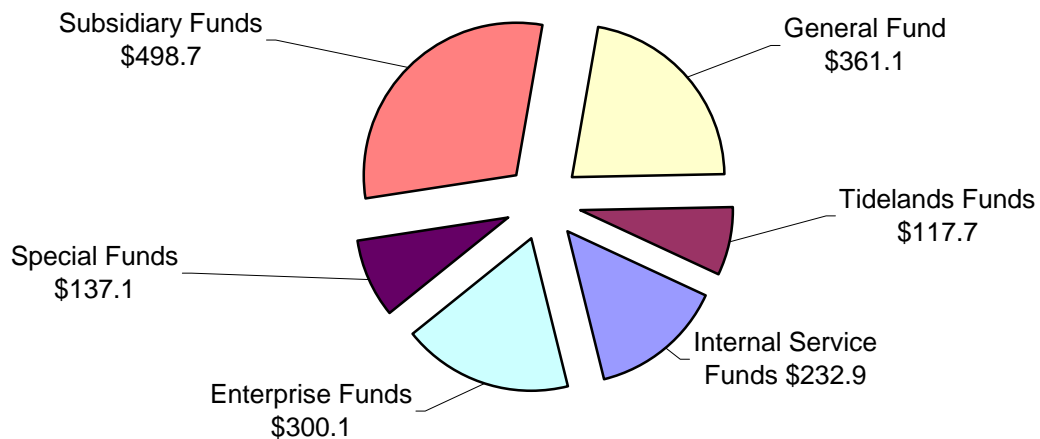
FY 04 Proposed Expenditures by Function
General Fund (in millions)
(Total = \$361.1 million)



FY 04 Proposed Revenues
All Funds (in millions)
(Total = \$1,541.2 million)



FY 04 Proposed Expenditures
All Funds (in millions)
(Total = \$1,647.6 million)



Debt Management

Debt Management

The Financial Management Department, Treasury Bureau, is responsible for issuing debt on behalf of City departments, City agencies, assessment districts, community facilities districts, and other qualified entities. Typical debt structures include revenue bonds, lease revenue bonds, land based financings, and notes. Debt may be issued with fixed or variable rate interest structures. Approximately \$2.6 billion in debt will be outstanding as of September 30, 2003.

Central to debt management is ensuring the City's compliance with Federal, State and local regulations. Other duties of this function include trustee services, preparation of Securities and Exchange Commission and Internal Revenue Service reports, determining annual assessment levies, and approving the distribution of bond proceeds.

Summary of the City and Related Agencies Outstanding Debt

The tables below summarize the City's outstanding debt, including final maturities, original par amounts and amounts outstanding. All information is presented as of September 30, 2002.

Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1993 Harbor Revenue Bonds	2018	\$166,500,000	\$133,130,000
Series 1993 Belmont Shore Parking Meter Revenue Bonds	2013	2,220,000	1,565,000
Series 1993 Gas Utility Revenue Bonds	2013	13,490,000	9,440,000
Series 1994 Marina Subordinate Revenue Bonds	2009	1,310,000	760,000
Series 1995 Marina Refunding Revenue Bonds	2008	31,725,000	17,795,000
Series 1995 Harbor Revenue Bonds	2025	343,420,000	314,095,000
Series 1997A Water Revenue Bonds	2024	46,945,000	40,155,000
Series 1998A Harbor Revenue Bonds	2019	206,330,000	185,080,000
Series 2000A Harbor Revenue Bonds	2025	275,000,000	275,000,000
Series 2002A&B Harbor Revenue Bonds	2027	300,000,000	300,000,000

Lease Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1995 Southeast Resource Recovery Facility Lease Revenue Refunding Bonds	2018	\$143,300,000	\$129,300,000
Series 1997A Lease Revenue Refunding (Civic Center Project)	2027	43,655,000	40,015,000
Series 1998A&B Lease Revenue and Refunding Bonds (Temple & Willow Facility)	2027	38,065,000	35,495,000
Series 1999A Lease Revenue Bonds (Rainbow Harbor Refinancing Project)	2024	47,970,000	47,905,000
Series 1999 Variable Rate Demand Lease Revenue Bonds (Long Beach Museum of Art)	2009	3,060,000	3,060,000
Series 2001 Lease Revenue Bonds (Plaza Parking Facilities)	2027	11,500,000	11,500,000
Series 2001 Lease Revenue Refunding Bonds (Aquarium)	2030	129,520,000	129,520,000
Series 2002 Long Beach Bond Finance Authority (LBBFA) Lease Revenue Bonds (Public Safety Facilities)	2031	40,915,000	40,915,000

Source: City of Long Beach – Comprehensive Annual Financial Report

Tax Allocation Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1992A Downtown Project Refunding Bonds	2022	\$81,020,000	\$65,595,000
Series 1992 West Long Beach Indust. Tax Allocation Rev. Bonds	2022	36,470,000	30,750,000
Series 2002A Long Beach Bond Finance Authority (LBBFA) ⁽¹⁾ Tax Allocation Revenue Bonds	2031	77,715,000	77,715,000
(Downtown Redevelopment Project Area)	2024	\$26,820,000	\$26,820,000
(North Long Beach Redevelopment Project Area)	2031	40,290,000	40,290,000
(Poly High Redevelopment Project Area)	2012	1,710,000	1,710,000
(West Beach Redevelopment Project Area)	2018	8,895,000	8,895,000
Series 2002B Long Beach Bond Finance Authority (LBBFA) ⁽²⁾ Tax Allocation Revenue Bonds	2024	47,780,000	47,780,000
(Downtown Redevelopment Project Area)	2024	25,920,000	25,920,000
(West Long Beach Industrial Redevelopment Project Area)	2018	21,860,000	21,860,000
⁽¹⁾ Series 2002A LBBFA Tax Allocation Revenue Bonds defeased the Series 1997 Downtown Redevelopment Project Subordinate Refunding Tax Allocation Bonds, 1992B Downtown Project Tax Allocation Revenue Bonds and Series 1987 West Beach Project Tax Allocation Revenue Bonds.			
⁽²⁾ Series 2002B LBBFA Tax Allocation Revenue Bonds issued December 2002 partially defeased the Series 1992 West Long Beach Industrial Tax Allocation Revenue Bonds and the Series 1992A Downtown Project Refunding Bonds. As of December 2002, amount outstanding for Series 1992 West Long Beach Industrial Tax Allocation Project Revenue Bonds was \$18,125,000 and for Series 1992A Downtown Project Refunding Bonds, the amount outstanding was \$39,925,000.			

Pension Obligation Bonds			
Series 1995 Pension Obligation Refunding Bonds	2011	\$108,635,000 ⁽¹⁾	\$22,875,000
Series 2002A&B Pension Obligation Bonds	2021	87,950,000	87,950,000
⁽¹⁾ Series 2002A&B Pension Obligation Bonds partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Refunding Bonds was \$23,920,000.			

Certificates of Participation			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1993 Airport	2016	\$16,815,000	\$12,750,000
Series 1997 Queensway Bay Parking Facility	2017	5,855,000	5,035,000

Source: City of Long Beach – Comprehensive Annual Financial Report

City of Long Beach
Computation of Legal Debt Margin
September 30, 2002
(In Thousands)

Net Assessed Valuation		\$ 24,381,507
Plus Exempt Property		<u>608,486</u>
Total Assessed Valuation (1)		<u><u>\$ 24,989,993</u></u>
Debt Limit - 15 Percent of Total Assessed Valuation (1)		\$ 3,748,499
Amount of Debt Applicable to Debt Limit:		
Redevelopment Bonded Debt	\$ 174,060	
Less:		
Assets in Redevelopment Debt Service Fund,		
Available for Payment of Principal	<u>22,016</u>	
Total Amount of Debt Applicable to Debt Limit		<u>152,044</u>
Legal Debt Margin (1)		<u><u>\$ 3,596,455</u></u>

Note:

- (1) The fiscal year 2002 debt limit is based on assessed valuation of 100% of market value, and reflects valuation for the property in redevelopment project areas.

Source: City of Long Beach FY 02 *Comprehensive Annual Financial Report*.
(California Government Code Section 43605 establishes 15 percent debt limit.)

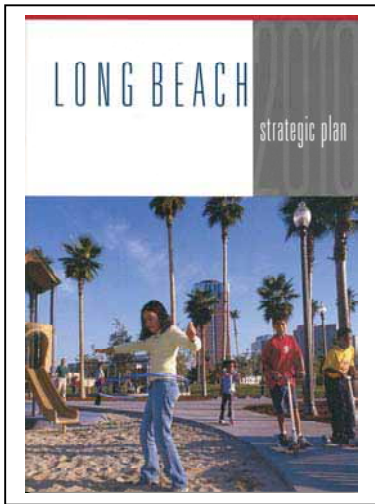


Performance Management Initiatives

Meeting the needs and expectations of the public through the City's diverse programs and services is one of the primary goals of the City. Such value can only be realized in an environment that encourages and rewards excellence, creativity, continuous improvement, accountability, customer service and greater efficiency and effectiveness in daily work practice. During the past few years, the City has initiated a number of Performance Management Initiatives (PMI) with the goal of maximizing the efficiency and effectiveness of government services and programs, and to provide standards based upon desired outcomes by which the City Council, community and City staff can measure and evaluate the costs and benefits of agreed upon operational goals. The City's PMI will not only address improving service delivery and assist in identifying issues, partnerships and collaborations beyond organizational boundaries, but it will also align the City's major business processes and provide a framework for identifying needed resource reallocation.

Utilizing greater policy clarity from the City Council and the community, the City will continue to evolve its PMI, and elevate the organization into a more effective provider of services – one with flexibility to adapt and respond to the community's needs, and one with the business intelligence to efficiently meet program objectives. There are several components of the City's PMI, each of which will be described in more detail throughout this section:

- *2010 Strategic Plan*
- *Three-Year Financial Strategic Plan*
- *Department Business Plans*
- *Department Service/Program Prioritization*
- *Work Process Review/Service Optimization*
- *Department Reorganization*
- *National Civic League Stakeholders Group*
- *ICMA Comparative Performance Measurement – Benchmarking*
- *City Manager's Annual Report to the Community*
- *Annual Budget Process*
- *Community Involvement*

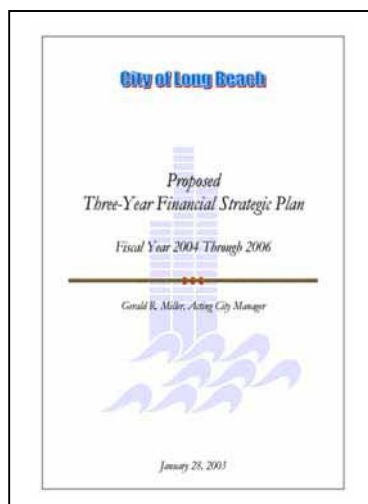


2010 Strategic Plan – The city’s Strategic Plan, developed with intensive community involvement in 1999 and 2000, provides a ten-year, citywide vision for Long Beach that hundreds of individuals and organizations throughout the city helped to create. That vision reflects a community of neighborhoods focused on youth and education, with safety and economic opportunities for all, and a responsive, accountable government, in a healthy, sustainable environment. The Strategic Plan serves as the basis for long-range policy-making as well as annual goal setting for the City in the following five areas: Neighborhood Development, Education & Youth, Community Safety, Business Growth & Workforce Development and Environment.

The Strategic Plan provides the City with a future vision of Long Beach and recommends activities believed necessary to get us there. Such a comprehensive approach to the community’s future development requires the concerted efforts of local government, community-based organizations, the business community and the education sector at all levels. Therefore, the City continuously strives to establish partnerships and programs that achieve the goals of the Strategic Plan applicable to its scope of responsibility. The City’s PMI will further assist in measuring the appropriateness of municipal programs and services against their progress in fulfilling the Strategic Plan’s desired outcomes.

Not only is it important for the city to have a Strategic Plan, but it is equally important to monitor and report back to the community on the progress of its implementation. A means of benchmarking progress and communicating successes on an annual basis is through the City Manager’s Annual Report to the Community (please refer to the City Manager’s Annual Report to the Community subsection below for more detail), which is called for in the 2010 Strategic Plan.

Furthermore, the City details specific achievements made by its departments each fiscal year in the Annual Budget document to encourage greater understanding about department resource allocations and the effectiveness of their programs. Lastly, City staff reports directly to the City Council on an annual basis with a comprehensive summary of progress made toward implementing Strategic Plan objectives that identifies areas where further policies or program changes may be necessary to enhance the City’s efforts. One such update was provided to the Council on 2002 activities, and it is anticipated that with the next report on 2003 activities in FY 04, these updates will become semi-annual on a go-forward basis.



Three-Year Financial Strategic Plan – The Three-Year Plan was developed to provide a framework through which the City can bring its ongoing revenues and expenditures into structural balance in a logical and balanced manner over the next three years. FY 04 marks the first year of the Three-Year Plan’s implementation. The Three-Year Plan was endorsed by the City Council in March 2003. The recommendations contained in the Three-Year Plan focus the organization on its core services and programs, and outline deliberate expenditure reduction measures as well as revenue enhancing mechanisms to downsize and align the organization based upon input from the community in identifying core services and options for reducing City costs or enhancing resources.

Cost reductions are the primary recommendations in the Three-Year Plan (83 percent), while revenue enhancements (12 percent) and increased return on municipal assets (5 percent) also factor into the Three-Year Plan’s proposed solutions to the structural deficit. Furthermore, the Three-Year Plan explores potential areas for service restructuring, organizational consolidation and other cost saving measures that will allow the City to bridge its budgetary gap while maintaining core services and investments in critical infrastructure. To this end, the Three-Year Plan called for review of key municipal services such as code enforcement, workers’ compensation & occupational health and fire services (please refer to the Work Process Review/Optimization subsection below for more details), and the contracting-out of targeted services (including landscape & street median maintenance, reprographics, billing & collections and custodial services).

Development of Three-Year Plan initiatives were linked to Strategic Plan goals, taking community priorities into account, trying to minimize the negative impacts on established goals of the Strategic Plan. The Three-Year Plan was also designed to be a working document whose assumptions must be continually reassessed to ensure they reflect the changing economic, social and financial realities of Long Beach. The City Council’s Budget Oversight Committee has been given the primary task to work with the City Auditor and the City Manager to evaluate the City’s progress in achieving the goals of the Three-Year Plan.



Department Business Plans – All City Manager departments are currently developing comprehensive operating plans for their organization. Each Business Plan is a means by which a department identifies its mission and goals with the City’s overarching goals and objectives, which in large part correlate to the 2010 Strategic Plan.

The Business Plans will assist departments identify strategies and activities that will support the achievement of its goals. During the coming fiscal year, the Business Plans will include specific performance measures to track outcomes (effectiveness) and outputs (efficiency) of each department’s services and programs. Such measures will be used by decision-makers and community members to hold departments accountable for their performance.

The Business Plans will be updated annually to reflect customer needs and the changing service delivery environment.

Department Service/Program Prioritization – The City has begun to orient itself toward the services it provides, rather than its organizational structure (departments and bureaus) as has been its traditional practice. This recasting of the City's organization will allow for the identification of duplication and/or omission in service delivery throughout the City.

To facilitate this process, each City Manager department was asked to perform a Service/Program Prioritization during FY 03, which identified each department's activities, aggregated by its Business Plan goals. This exercise identified over 486 distinct services and programs provided by the 13 departments. Over the years, the City has added a considerable number of worthwhile programs during the revenue abundant 1990s. The Three-Year Plan has shifted the organization's focus to preserving its core services, shedding those programs that are no longer effective or no longer contribute to achieving the strategic goals of the organization.

During FY 04, a thorough review and prioritization of services will be conducted, and budget/financial information will soon be linked to these programs/services, to further provide insight into the effectiveness of current programs, and like Strategic Plan activities, ensure that scarce resources are being allocated to priority areas.

Work Process Review/Service Optimization – The City has been exploring ways in which it can provide services at lower costs without jeopardizing the public value they create. During the 1990s, a Work Process Review protocol was developed in response to Proposition L (contracting-out City services) as a systematic means of reviewing the City's service delivery mechanisms for cost competitiveness.

The Three-Year Plan, however, called for the comprehensive review of several key programs in an effort to identify cost saving and service optimization measures for the near-term. As a result, the City formed citywide, interdepartmental teams to design and administer four major service optimization studies: Employee Compensation & Benefits, Code Enforcement & Nuisance Abatement, Workers' Compensation & Occupational Health, and Fire Services & Dispatch. It is anticipated that these studies will produce recommendations for service improvement to be implemented during FY 04 and FY 05.

The Three-Year Plan also identified several current operations and practices that would likely generate costs savings through the potential redesign of service delivery mechanisms and/or consolidation of functions. These include but are not limited to: fleet maintenance, helicopter maintenance, towing operations, reprographic services, street sweeping & ticketing, parking enforcement operations, business license processing and information & technology services. The City is currently performing internal analyses regarding potential savings in each of these areas.

While the reviews recommended above could result in significant savings in the future, it is important to continually assess service delivery methods to improve organizational effectiveness. The work process review/optimization of the City's programs and services will

become a standard practice throughout the organization, to achieve our objective for greater accountability, efficiency and effectiveness.

Department Reorganization - As a result of deliberate, ongoing operational changes, each City Manager-department has been asked to identify areas where their organizations can be restructured. These changes to the apparatus of the City's departments should reflect the shrinking economic environment and streamlined service priorities of the community, by right-sizing management and other staffing through consolidation or elimination of unnecessary functions, focusing each department on its core services.

Several departments will begin to undergo organizational change during FY 04, including the City Manager's Department, the Planning & Building Department, the Department of Community Development and Technology Services Department, while more reorganization will occur throughout the implementation of the Three-Year Plan.

National Civic League Stakeholders Group – In April 2000, the National Civic League (NCL), in cooperation with the International City/County Management Association (ICMA) and with support by a grant from the Alfred P. Sloan Foundation, selected Long Beach as one of three cities nationally to participate in a project to develop local government performance measures that are meaningful to citizens. City Council approved a list of community representatives to serve on a Stakeholders Group to provide feedback and input during this process.

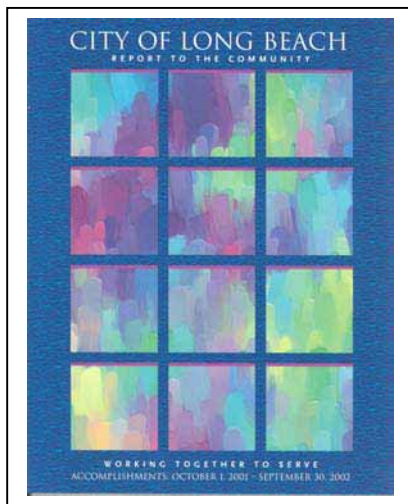
The City partnered with NCL and the Stakeholders Group to identify community-oriented outcomes based on the goals of the 2010 Strategic Plan. These outcome statements will provide targets upon which the City and community can measure its progress toward achieving the Strategic Plan's overall objectives, which in turn will provide a results-based means to determine if resources invested in City programs and services are producing the expected maximum value for citizens.

As the outcomes and indicators develop, the City Manager's Report to the Community and other performance reports will begin to utilize and feature the outputs developed by the Stakeholders Group.



ICMA Comparative Performance Measurement - Benchmarking – Benchmarking allows an organization to make comparisons between industry leaders, conduct a full analysis of the performance gap between the City and best-in-class performers, identify process differences and adopt changes in procedures required to make the City more competitive. The City of Long Beach participates in ICMA's Center for Performance Measurement annual survey of municipal service providers, which puts Long Beach's performance into a regional and national context, providing insight into how the City compares with benchmark jurisdictions in primary service areas. Data collected by ICMA is shared with department heads to help management assess where improvements in service delivery can be achieved.

ICMA's Comparative Performance Measurement Project was established to assist local jurisdictions in collecting, analyzing and applying performance information. Over 100 cities and counties participate in the project and use the data collected from participating agencies to improve the way they do business. Long Beach has participated in this project since 1995, making the City better equipped to benefit from benchmarking by using the nationwide and regional data available.



City Manager's Annual Report to the Community – This annual report is a key communication tool used by the City Manager to disseminate information on department goals, core City services and the City's successful efforts to achieve key 2010 Strategic Plan objectives. The Report highlights achievements within each of the five major areas of the Strategic Plan – Business Growth & Workforce Development, Community Safety, Education & Youth, Neighborhood Development, and Environment.

The 2002 Report to the Community specifically compared direct Strategic Plan inputs from the community (*What You Said*) and provided specific examples of how the City has responded (*What We've Done*). Since achieving the Strategic Plan's objectives will be a multilateral process requiring the mobilization of Long

Beach's diverse community and business resources, the Report also evaluated where non-governmental support is still required (*What You Can Do*).

To date, Reports for 2001 and 2002 have been published, while a Report for 2003 is expected by the end of the calendar year. It is envisioned that the Report to the Community will evolve into an annual Scorecard that uses the outcome indicators and other performance measures developed by the NCL Stakeholders Group as its basis.



Annual Budget Process – The Budget is the most important policy document the City produces on an annual basis. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. By developing an annual Budget based on agreed upon goals, strategies, priorities and principles that are shaped by community input, the City will better be able to focus its resources and efforts on those areas of the highest importance to the city.

This can only be achieved through a process that is open and transparent, that seeks and utilizes input from a diverse cross-section of the community, and offers ample opportunities for review and revision. The FY 04 annual budget process is an unprecedented attempt to do just this. Through a series of

community outreach activities that began during the spring and extend through budget adoption in September (Town Hall meetings, Budget Summit, neighborhood, board, committee and commission meetings, budget workshops and hearings, etc.) coupled with the early preview of the City Manager's Proposed FY 04 Budget, there has been an unparalleled number of

opportunities for the community to review and comment on the basic assumptions of the FY 04 budget.

Going forward, through the increased use of department business plans, performance data, organizational and program financial models, clear policy guidance from the City Council and an even greater emphasis on community input, the Annual Budget Process will become the ultimate reflection of the City's commitment to Performance Management.

Community Involvement – Civic participation is a key factor in the quality of life for our community. One of the greatest challenges for public officials, especially given the current environment of public disillusionment with government, is to connect meaningfully with the residents and stakeholders it serves. Without an engaged public however, it is difficult to create the partnerships needed between community and government to identify and address the diverse service needs of a large, multi-ethnic community. The City has learned through the development of the Strategic Plan 2010, the Three-Year Plan and other community initiatives that connecting and consulting with the community enhances the City's ability to serve its various constituencies.

Creating a relationship between the community and its government that is more meaningful, collaborative and mutually beneficial is one of the top priorities for the City Manager. While this may be a difficult task under the best of circumstances, it is important that the City take proactive strides toward bridging the gap in trust, cooperation and understanding that has developed in Long Beach over the past several years. An informed and active community providing critical feedback will ensure that all City activities are in alignment with the strategic objectives of the community, and are being implemented in a way that promotes transparency, deliberation and the health of the City for all residents.

To this end, the City Manager departments have performed an internal review of how it communicates, solicits input and encourages interaction with the community in its decision-making processes. As a result, the City Manager will bring a recommendation to the City Council and community to develop a Citizen Participation Plan, with the full cooperation and input of the community, that defines and institutionalizes the most appropriate and effective means by which the City and community can work together to resolve the myriad of complex neighborhood issues continually challenging Long Beach.

Once participatory mechanisms are firmly rooted within the City of Long Beach's business practices, as well as in the fabric of the community, the goals of transparency and accountability will become all the more achievable. All of these Performance Management Initiatives together form a coherent system of management practices that further promote transparency, accountability and enhanced public value in the services and programs the City provides.



Budget Summaries



Summary of Budgets by Department

All Funds

Fiscal Years 2002 to 2004
(Includes operating, debt service and capital improvement program)

	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
OPERATIONS					
Mayor and Council	\$ 4,463,057	\$ 4,259,575	\$ 4,241,026	\$ 4,223,444	\$ 4,088,848
City Attorney	8,232,123	8,439,121	8,466,224	7,764,939	8,272,640
City Auditor	2,220,793	2,386,320	2,459,296	2,364,501	2,301,493
City Clerk	3,529,467	2,949,721	2,950,266	2,664,078	3,092,043
City Manager	10,419,890	9,728,239	9,840,129	9,216,260	8,176,309
City Prosecutor	4,384,834	3,969,610	4,084,691	3,899,891	3,969,610
Civil Service	2,570,109	2,322,095	2,355,451	2,216,189	2,451,545
Community Development	176,842,653	153,312,363	211,133,159	225,869,138	146,848,733
Financial Management	19,632,935	18,481,975	18,657,689	18,301,141	18,694,505
Interfund and Non-Operating *	222,263,072	249,425,783	258,973,593	243,175,042	238,421,452
Police and Fire Pension Plan	6,437,405	6,390,000	6,390,000	5,898,000	5,898,000
Fire	66,379,341	68,877,336	69,571,670	67,600,212	69,441,643
Harbor	426,735,151	436,768,869	436,768,869	379,408,184	400,268,283
Health and Human Services	39,276,515	35,700,450	39,324,942	38,449,351	43,420,868
Human Resources	6,729,940	7,890,677	7,996,398	6,953,632	7,389,904
Library Services	13,738,043	11,547,213	11,928,159	11,681,613	11,376,001
Long Beach Energy	165,273,580	213,559,212	216,808,264	201,956,795	196,203,048
Oil Properties	32,501,274	27,616,556	62,063,362	64,079,620	44,952,246
Parks, Recreation and Marine	44,015,606	43,631,148	44,274,306	43,198,049	44,250,538
Planning and Building	11,306,393	10,824,513	11,064,326	10,928,527	11,477,117
Police	144,168,013	144,670,072	151,991,943	149,631,346	150,352,801
Public Works	173,817,247	77,463,768	89,233,591	161,326,903	107,845,524
Technology Services	35,157,770	37,680,321	37,772,433	33,216,611	34,866,581
Water	85,402,825	88,211,180	88,211,180	82,625,154	83,575,623
TOTAL	\$ 1,705,498,039	\$ 1,666,106,115	\$ 1,796,560,966	\$ 1,776,648,622	\$ 1,647,635,354

Full-Time Equivalent Employees	N/A	6,003.91	N/A	N/A	5,853.83
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	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
All Funds by Character FY 04				
Salaries, Wages and Benefits	\$ 534,241,348	\$ 535,169,068	\$ 507,376,584	\$ 559,162,611
Materials, Supplies and Services	465,614,608	518,556,048	599,135,753	494,188,473
Capital Purchases	300,741,584	319,263,050	259,712,759	248,863,156
Debt Service	174,250,675	225,200,802	223,273,865	171,391,899
Transfers From Other Funds	86,259,914	89,784,837	83,177,449	66,629,685
Prior Year Encumbrance	-	(234,620)	-	-
Subtotal	\$ 1,561,108,129	\$ 1,687,739,184	\$ 1,672,676,410	\$ 1,540,235,824
Internal Support	104,997,986	108,821,782	103,972,212	107,399,530
TOTAL ALL FUNDS	\$ 1,666,106,115	\$ 1,796,560,966	\$ 1,776,648,622	\$ 1,647,635,354

* Interfund and Non-Operating include pass through transactions, debt service on revenue anticipation notes, etc.

Summary of Full-Time Equivalents (FTEs) by Department

Fiscal Years 2002 to 2004

DEPARTMENT	FY 02 Adopted	FY 03 Adopted	FY 04 Proposed
Mayor and Council	53.92	55.60	52.04
City Attorney *	71.00	75.00	75.00
City Auditor *	19.00	22.00	22.00
City Clerk	29.00	29.00	29.00
City Manager	31.00	31.00	27.00
City Prosecutor *	41.00	42.00	42.00
Civil Service	23.50	24.00	23.00
Community Development	313.31	332.05	261.63
Financial Management	171.06	172.86	163.62
Fire	582.25	556.25	554.36
Harbor	362.37	376.30	380.90
Health and Human Services	451.07	489.33	486.08
Human Resources	28.51	28.51	24.71
Library Services	167.37	165.16	158.44
Long Beach Energy	536.26	546.26	519.76
Oil Properties	40.25	41.25	41.25
Parks, Recreation and Marine	547.46	564.87	544.52
Planning and Building	117.17	118.17	117.75
Police	1,459.73	1,498.33	1,500.33
Public Works	418.46	438.16	450.46
Technology Services	150.50	165.50	153.50
Water	229.19	232.31	226.48
TOTAL FTEs	5,843.38	6,003.91	5,853.83

* The City Attorney, City Auditor and City Prosecutor have committed to leaving four, three and two positions vacant, respectively, in FY 04.

Summary of General Fund Budgets by Department

Fiscal Years 2002 to 2004
(Includes operating, debt service and capital improvement program)

	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
OPERATIONS					
Mayor and Council	\$ 4,463,057	\$ 4,259,575	\$ 4,241,026	\$ 4,223,444	\$ 4,088,848
City Attorney	3,003,104	3,226,066	3,233,594	2,976,930	2,943,657
City Auditor	2,165,304	2,154,138	2,227,114	2,133,123	2,066,908
City Clerk	3,529,467	2,949,721	2,950,266	2,664,078	3,092,043
City Manager	5,155,572	4,442,923	4,444,026	4,368,264	3,853,356
City Prosecutor	4,384,834	3,969,610	4,084,691	3,899,891	3,969,610
Civil Service	2,564,044	2,301,878	2,335,175	2,163,256	2,431,069
Community Development	3,240,299	2,075,667	3,409,019	3,380,972	3,015,389
Financial Management	16,554,139	15,430,981	15,467,754	15,219,452	15,726,482
Interfund and Non-Operating *	26,951,668	23,500,661	32,917,176	36,865,781	10,531,280
Police and Fire Pension Plan	6,437,405	6,390,000	6,390,000	5,898,000	5,898,000
Fire	61,391,035	63,804,851	64,477,584	62,849,745	63,930,087
Health and Human Services	4,419,763	4,526,454	4,530,455	4,461,098	4,832,958
Human Resources	425,371	404,126	404,405	343,178	338,145
Library Services	13,587,698	11,375,188	11,755,985	11,515,572	11,210,102
Long Beach Energy	3,466,569	5,706,957	5,706,957	5,699,153	5,715,979
Parks, Recreation and Marine	27,164,267	26,958,658	27,497,183	26,540,485	27,008,388
Planning and Building	11,306,393	10,824,513	11,064,326	10,928,527	11,477,117
Police	141,983,373	141,993,827	149,315,695	147,324,312	147,443,303
Public Works	30,421,654	30,701,834	30,848,797	27,975,322	30,547,739
Technology Services	22,422	1,165,428	1,165,428	815,539	1,002,636
TOTAL	\$ 372,637,436	\$ 368,163,055	\$ 388,466,656	\$ 382,246,122	\$ 361,123,096
Full-Time Equivalent Employees	N/A	3,435.25	N/A	N/A	3,369.70
		FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
General Fund by Character FY 04					
Salaries, Wages and Benefits		\$ 259,157,785	\$ 259,644,971	\$ 252,280,116	\$ 265,510,861
Materials, Supplies and Services		47,750,697	51,900,339	53,778,407	44,479,847
Capital Purchases		3,010,408	18,546,590	17,567,919	1,642,990
Debt Service		8,896,749	9,228,752	8,648,369	9,918,458
Transfers From Other Funds		11,010,399	10,791,263	11,450,432	3,019,547
Subtotal		\$ 329,826,039	\$ 350,111,915	\$ 343,725,243	\$ 324,571,703
Internal Support		38,337,017	38,354,741	38,520,880	36,551,393
TOTAL GENERAL FUND		\$ 368,163,055	\$ 388,466,656	\$ 382,246,122	\$ 361,123,096

Summary of Resources & Expenditures by Fund

Fiscal Year 2004

	Estimated Fund Balance 10/1/2003	Unreserving/ (Reserving) Restricted Fund Balance*	Total Revenues	Estimated All-years Carryover Revenue	Total Resources
GENERAL FUNDS					
General	\$ 12,843,182	\$ 2,470,485	\$ 347,277,305	\$ -	\$ 362,590,972
Total	\$ 12,843,182	\$ 2,470,485	\$ 347,277,305	\$ -	\$ 362,590,972
SPECIAL FUNDS					
Health	\$ 1,387,177	\$ -	\$ 37,100,996	\$ 22,906,236	\$ 61,394,409
Parking And Business Area Improvement	368,170	-	2,482,517	-	2,850,687
Special Advertising & Promotion	244,274	-	4,820,637	-	5,064,911
Upland Oil	300,769	-	8,866,921	-	9,167,690
Housing Development	5,653,005	-	13,118,763	3,349,173	22,120,941
Belmont Shore Parking Meter	155,372	-	430,500	-	585,872
Business Assistance	694,693	-	2,625,000	-	3,319,693
Community Development Grants	452,674	-	24,884,770	42,098,217	67,435,661
Park Development	1,387,086	-	765,000	-	2,152,086
Gasoline Tax Street Improvement	5,909,243	-	10,748,972	10,988,795	27,647,010
Transportation	16,104,651	-	13,374,612	5,429,954	34,909,216
Capital Projects	29,823,850	-	15,198,120	46,562,636	91,584,605
Total	\$ 62,480,964	\$ -	\$ 134,416,808	\$ 131,335,010	\$ 328,232,782
INTERNAL SERVICE FUNDS					
Civic Center	\$ 14,671,035	\$ -	\$ 1,354,636	\$ 0	\$ 16,025,671
General Services	4,963,854	-	34,315,080	-	39,278,934
Fleet Services	7,998,630	-	26,117,493	995,739	35,111,862
Insurance	7,752,407	-	34,246,330	-	41,998,737
Employee Benefits	16,403,876	-	126,639,002	-	143,042,878
Total	\$ 51,789,803	\$ -	\$ 222,672,541	\$ 995,739	\$ 275,458,082
TIDELANDS FUNDS					
Tidelands Funds	\$ 23,866,657	\$ -	\$ 74,054,022	\$ 21,815,206	\$ 119,735,885
Tideland Oil Revenue	43,483,107	-	53,535,425	-	97,018,532
Reserve For Subsidence	144,420,943	-	3,505,280	-	147,926,223
Total	\$ 211,770,708	\$ -	\$ 131,094,727	\$ 21,815,206	\$ 364,680,641
ENTERPRISE FUNDS					
Gas	\$ 9,880,362	\$ -	\$ 92,402,102	\$ (382,378)	\$ 101,900,086
Energy Services	46,541	-	2,256	-	48,797
Water	4,863,873	-	73,171,000	-	78,034,873
Sewer	3,142,607	-	9,793,900	-	12,936,507
Airport	505,328	-	39,300,659	14,119,045	53,925,031
Refuse/Recycling	6,523,264	-	30,919,432	-	37,442,696
SERRF	39,069,407	-	42,755,671	-	81,825,078
SERRF-JPA	1,979,320	-	11,365,083	-	13,344,403
Towing	1,089,768	-	5,577,870	-	6,667,638
Total	\$ 67,100,469	\$ -	\$ 305,287,973	\$ 13,736,667	\$ 386,125,109
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 463,119,479	\$ -	\$ 308,900,000	\$ -	\$ 772,019,479
Parking Authority	295,055	-	577,758	-	872,813
Housing Authority	997,142	-	49,723,895	639,106	51,360,143
Redevelopment	49,780,896	-	37,872,168	14,701,079	102,354,144
CUPA	304,163	-	917,387	-	1,221,550
Total	\$ 514,496,735	\$ -	\$ 397,991,208	\$ 15,340,185	\$ 927,828,128
TOTAL	\$ 920,481,861	\$ 2,470,485	\$ 1,538,740,562	\$ 183,222,807	\$ 2,644,915,715

* Reserving fund balance is the setting aside of restricted funds when received, while unreserving is the making available of these restricted funds as prescribed expenditures are incurred.

	Operating Expenditures	Capital Improvement Expenditures	(a)	Debt Service	Total Expenditures	Estimated All-years Carryover Expense	Estimated Fund Balance 9/30/2004	(b)
\$	345,749,283	\$ 5,455,355	\$	9,918,458	\$ 361,123,096	\$ -	\$ 1,467,877	
\$	345,749,283	\$ 5,455,355	\$	9,918,458	\$ 361,123,096	\$ -	\$ 1,467,877	
\$	37,115,339	\$ -	\$	504,000	\$ 37,619,339	\$ 20,726,902	\$ 3,048,168	
	2,445,000	-		-	2,445,000	-	405,687	
	5,056,349	-		-	5,056,349	-	8,562	
	8,681,527	-		-	8,681,527	-	486,163	
	11,549,350	-		470,000	12,019,350	2,734,129	7,367,462	
	361,337	-		212,800	574,137	-	11,735	
	2,739,431	-		-	2,739,431	-	580,262	
	24,703,049	-		-	24,703,049	42,315,974	416,638	
	1,245,907	-		-	1,245,907	-	906,179	
	6,308,973	4,440,000		-	10,748,973	15,922,497	975,540	
	6,859,152	8,625,908		-	15,485,060	16,085,285	3,338,871	
	5,905,121	9,912,000		-	15,817,121	70,384,419	5,383,066	
\$	112,970,536	\$ 22,977,908	\$	1,186,800	\$ 137,135,244	\$ 168,169,205	\$ 22,928,334	
\$	(2,823,806)	\$ -	\$	3,670,088	\$ 846,282	\$ 12,406,624	\$ 2,772,765	
	34,707,467	-		1,872,310	36,579,777	-	2,699,157	
	20,773,541	1,100,000		2,497,659	24,371,200	161,445	10,579,217	
	37,402,320	-		-	37,402,320	-	4,596,416	
	124,873,193	-		8,824,954	133,698,147	-	9,344,732	
\$	214,932,716	\$ 1,100,000	\$	16,865,011	\$ 232,897,727	\$ 12,568,069	\$ 29,992,287	
\$	64,044,632	\$ 990,000	\$	13,827,761	\$ 78,862,393	\$ 30,197,311	\$ 10,676,182	
	36,746,103	-		-	36,746,103	-	60,272,429	
	2,089,473	-		-	2,089,473	-	145,836,750	
\$	102,880,208	\$ 990,000	\$	13,827,761	\$ 117,697,968	\$ 30,197,311	\$ 216,785,361	
\$	81,519,354	\$ 2,190,765	\$	1,037,636	\$ 84,747,755	\$ 7,225,125	\$ 9,927,205	
	-	-		-	-	-	48,797	
	54,589,626	15,314,000		3,704,894	73,608,520	-	4,426,353	
	7,166,707	3,665,000		-	10,831,707	-	2,104,801	
	18,266,735	17,305,085		1,367,060	36,938,880	16,397,633	588,519	
	30,787,213	-		-	30,787,213	-	6,655,483	
	46,348,060	-		-	46,348,060	-	35,477,017	
	-	-		10,870,253	10,870,253	-	2,474,150	
	5,970,173	-		-	5,970,173	-	697,465	
\$	244,647,869	\$ 38,474,850	\$	16,979,843	\$ 300,102,562	\$ 23,622,758	\$ 62,399,789	
\$	89,930,301	\$ 216,754,000	\$	95,804,212	\$ 402,488,513	\$ -	\$ 369,530,966	
	6,928	-		500,509	507,437	-	365,376	
	49,599,237	-		-	49,599,237	1,066,046	694,860	
	28,909,509	-		16,309,306	45,218,815	23,326,051	33,809,278	
	864,756	-		-	864,756	-	356,794	
\$	169,310,730	\$ 216,754,000	\$	112,614,027	\$ 498,678,757	\$ 24,392,097	\$ 404,757,274	
\$	1,190,491,342	\$ 285,752,113	\$	171,391,899	\$ 1,647,635,354	\$ 258,949,440	\$ 738,330,921	

(a) General Fund CIP total of \$5,455,355 is included in the Capital Projects total of \$285,752,113. It is shown in the General Fund line to illustrate the General Fund's contribution to citywide CIPs.

(b) Excludes the General Fund Emergency Reserve of \$35.4 million and other Restricted Reserves.

Comparison of Revenues by Fund

Fiscal Years 2002 to 2004

	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
GENERAL FUNDS					
General	\$ 368,054,363	\$ 361,336,443	\$ 367,057,173	\$ 371,790,216	\$ 347,277,305
Total	\$ 368,054,363	\$ 361,336,443	\$ 367,057,173	\$ 371,790,216	\$ 347,277,305
SPECIAL FUNDS					
Health	\$ 33,484,427	\$ 28,627,883	\$ 32,283,338	\$ 32,259,526	\$ 37,100,996
Parking and Business Area Improvement	1,787,333	1,925,517	1,925,517	1,895,826	2,482,517
Special Advertising & Promotion	4,988,948	5,190,001	5,155,001	4,605,224	4,820,637
Upland Oil	8,644,570	8,970,000	8,970,000	8,970,000	8,866,921
Housing Development	8,694,063	7,512,100	8,012,100	9,529,504	13,118,763
Belmont Shore Parking Meter	448,629	430,500	430,500	430,500	430,500
Business Assistance	1,291,484	2,647,000	2,647,000	2,647,000	2,625,000
Community Development Grants	38,825,999	25,285,768	27,534,772	25,865,183	24,884,770
Park Development	851,616	515,000	515,000	1,515,000	765,000
Gasoline Tax Street Improvement	19,318,833	10,865,972	12,099,126	11,045,822	10,748,972
Transportation	12,672,600	12,431,026	12,431,026	8,508,683	13,374,612
Capital Projects	59,018,356	8,052,058	12,849,052	7,070,718	15,198,120
Total	\$ 190,026,859	\$ 112,452,825	\$ 124,852,432	\$ 114,342,986	\$ 134,416,808
INTERNAL SERVICE FUNDS					
Civic Center	\$ 13,006,742	\$ 1,289,800	\$ 1,289,800	\$ 1,364,610	\$ 1,354,636
General Services	34,104,473	39,050,179	39,050,179	34,363,721	34,315,080
Fleet Services	27,851,093	28,065,488	29,061,227	27,914,015	26,117,493
Insurance	21,121,104	21,236,335	21,236,335	24,466,769	34,246,330
Employee Benefits	112,976,899	119,628,754	119,628,754	109,542,702	126,639,002
Total	\$ 209,060,311	\$ 209,270,556	\$ 210,266,295	\$ 197,651,817	\$ 222,672,541
TIDELANDS FUNDS					
Tidelands Funds	\$ 106,158,552	\$ 73,101,875	\$ 75,824,377	\$ 77,754,136	\$ 74,054,022
Tideland Oil Revenue	44,521,949	40,967,928	74,706,718	74,711,867	53,535,425
Reserve For Subsidence	6,374,824	5,336,800	5,336,800	4,567,725	3,505,280
Total	\$ 157,055,325	\$ 119,406,603	\$ 155,867,894	\$ 157,033,728	\$ 131,094,727
ENTERPRISE FUNDS					
Gas	\$ 64,076,262	\$ 83,425,576	\$ 83,425,576	\$ 76,188,013	\$ 92,402,102
Energy Services	4,379	6,225	6,225	2,256	2,256
Water	62,122,821	77,355,000	77,355,000	75,435,000	73,171,000
Sewer	8,359,921	8,881,400	8,881,400	9,333,900	9,793,900
Airport	19,249,823	22,857,122	22,857,122	25,662,353	39,300,659
Refuse/Recycling	29,976,634	29,220,480	29,220,480	30,536,017	30,919,432
SERRF	44,045,445	41,141,036	41,141,036	41,645,436	42,755,671
SERRF-JPA	2,771,125	13,462,333	13,462,333	8,366,833	11,365,083
Towing	5,511,549	5,345,028	5,345,028	5,379,330	5,577,870
Total	\$ 236,117,958	\$ 281,694,200	\$ 281,694,200	\$ 272,549,138	\$ 305,287,973
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 582,491,970	\$ 562,253,000	\$ 562,253,000	\$ 583,067,000	\$ 308,900,000
Parking Authority	583,301	579,730	579,730	579,101	577,758
Housing Authority	42,351,015	43,742,859	45,063,670	46,950,074	49,723,895
Redevelopment	119,376,332	32,335,864	84,884,400	101,718,214	37,872,168
CUPA	784,675	901,542	901,542	855,900	917,387
Total	\$ 745,587,293	\$ 639,812,995	\$ 693,682,342	\$ 733,170,289	\$ 397,991,208
TOTAL	\$ 1,905,902,109	\$ 1,723,973,622	\$ 1,833,420,336	\$ 1,846,538,174	\$ 1,538,740,562

Comparison of Expenditures by Fund Fiscal Years 2002 to 2004

	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
GENERAL FUNDS					
General	\$ 372,637,436	\$ 368,163,055	\$ 388,466,656	\$ 382,246,122	\$ 361,123,096
Total	\$ 372,637,436	\$ 368,163,055	\$ 388,466,656	\$ 382,246,122	\$ 361,123,096
SPECIAL FUNDS					
Health	\$ 33,196,446	\$ 29,544,250	\$ 33,164,742	\$ 32,480,827	\$ 37,619,339
Parking and Business Area Improvement	1,746,531	1,834,555	1,834,555	1,834,555	2,445,000
Special Advertising & Promotion	5,671,675	5,757,618	5,859,134	5,340,074	5,056,349
Upland Oil	8,077,539	8,647,000	10,008,818	11,026,062	8,681,527
Housing Development	5,477,015	12,550,208	12,591,226	14,260,691	12,019,350
Belmont Shore Parking Meter	474,926	476,337	476,337	476,247	574,137
Business Assistance	1,447,408	2,397,484	2,431,364	2,003,112	2,739,431
Community Development Grants	38,874,604	25,971,363	28,220,367	26,035,402	24,703,049
Park Development	902,763	544,818	544,818	543,806	1,245,907
Gasoline Tax Street Improvement	18,895,852	10,865,973	12,099,127	11,405,243	10,748,973
Transportation	12,905,764	12,662,479	12,662,479	12,723,490	15,485,060
Capital Projects	63,391,100	8,555,058	13,350,592	43,981,374	15,817,121
Total	\$ 191,061,623	\$ 119,807,144	\$ 133,243,560	\$ 162,110,883	\$ 137,135,244
INTERNAL SERVICE FUNDS					
Civic Center	\$ 25,489,133	\$ 8,726,326	\$ 8,767,544	\$ 12,025,481	\$ 846,282
General Services	35,401,889	39,642,157	39,868,571	35,656,428	36,579,777
Fleet Services	32,039,176	26,244,565	30,433,535	33,753,965	24,371,200
Insurance	34,342,578	36,930,988	37,150,207	38,071,081	37,402,320
Employee Benefits	105,903,533	125,486,845	125,528,637	109,673,629	133,698,147
Total	\$ 233,176,309	\$ 237,030,881	\$ 241,748,494	\$ 229,180,584	\$ 232,897,727
TIDELANDS FUNDS					
Tidelands Funds	\$ 82,528,655	\$ 75,833,748	\$ 76,945,157	\$ 105,912,448	\$ 78,862,393
Tideland Oil Revenue	24,758,018	19,243,400	52,328,387	53,327,402	36,746,103
Reserve For Subsidence	3,187,412	3,314,800	3,314,800	2,900,019	2,089,473
Total	\$ 110,474,085	\$ 98,391,948	\$ 132,588,344	\$ 162,139,869	\$ 117,697,968
ENTERPRISE FUNDS					
Gas	\$ 64,852,727	\$ 88,267,148	\$ 88,314,765	\$ 80,965,698	\$ 84,747,755
Energy Services	62,000	-	-	-	-
Water	67,812,594	79,407,936	79,407,936	73,823,699	73,608,520
Sewer	18,435,365	9,603,037	9,603,037	9,601,247	10,831,707
Airport	22,923,084	15,867,753	19,447,916	25,223,253	36,938,880
Refuse/Recycling	31,695,402	29,612,781	29,622,148	29,268,609	30,787,213
SERRF	36,267,583	59,596,901	59,596,901	54,643,386	46,348,060
SERRF-JPA	2,678,029	12,967,503	12,967,503	7,872,003	10,870,253
Towing	5,759,805	5,942,442	5,942,580	5,395,535	5,970,173
Total	\$ 250,486,588	\$ 301,265,502	\$ 304,902,787	\$ 286,793,430	\$ 300,102,562
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 428,761,225	\$ 439,223,299	\$ 439,223,299	\$ 381,862,614	\$ 402,488,513
Parking Authority	507,961	508,777	508,777	508,777	507,437
Housing Authority	42,955,220	43,748,768	45,279,006	48,641,591	49,599,237
Redevelopment	74,720,125	57,139,373	109,772,675	122,432,935	45,218,815
CUPA	717,467	827,368	827,368	731,816	864,756
Total	\$ 547,661,998	\$ 541,447,584	\$ 595,611,124	\$ 554,177,734	\$ 498,678,757
TOTAL	\$ 1,705,498,039	\$ 1,666,106,115	\$ 1,796,560,966	\$ 1,776,648,622	\$ 1,647,635,354

Comparison of Revenues by Fund Group and Source Fiscal Years 2002 to 2004

	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
GENERAL FUNDS					
General Revenues					
Property Taxes	\$ 50,274,493	\$ 52,544,000	\$ 52,544,000	\$ 53,257,340	\$ 55,106,000
Taxes Other Than Property Taxes					
Sales and Use Taxes	38,427,651	39,378,000	39,378,000	41,859,000	41,287,000
Oil Production Taxes	2,253,947	2,184,000	2,184,000	2,261,000	2,077,000
Franchises	9,976,495	11,186,000	11,186,000	13,538,000	13,996,184
Utility Users Taxes	55,837,545	48,811,000	48,811,000	51,822,000	44,511,000
Business License Taxes	8,066,896	8,050,000	8,050,000	8,515,000	9,165,217
Transient Occupancy Taxes	6,223,373	6,231,000	6,231,000	6,463,000	6,829,000
Other Taxes	1,466,167	1,200,000	1,200,000	1,171,096	1,855,623
Fines and Forfeitures	11,448,301	11,490,050	11,490,050	10,874,000	12,503,050
Use of Money and Property					
Interest on Investments	8,526,474	5,331,580	5,789,580	6,740,744	3,575,205
Other Use of Money and Property	11,093,805	11,090,081	11,097,611	10,507,299	9,694,955
Subventions From Other Agencies					
State Prop. Tax Exempt. Replace.	683,599	704,000	704,000	675,950	700,000
Motor Vehicle In-Lieu	34,940,775	34,010,029	34,010,029	33,760,183	28,249,000
Other	7,728,873	7,891,567	7,963,889	9,126,610	8,362,381
City Utilities In-Lieu	9,276,168	17,130,000	17,130,000	17,074,000	11,578,634
Sundry Revenues	29,297,085	2,013,698	5,458,198	5,854,444	3,459,060
Interfund Transfers	13,926,622	36,318,685	36,318,685	29,831,477	27,390,397
Reimbursements and Charges for Services					
Licenses and Permits	15,801,953	14,037,268	14,037,268	15,187,658	14,502,757
From Other Governmental Agencies	6,598,263	5,149,738	6,408,054	6,268,275	2,190,675
Charges to Other City Funds	35,444,719	35,635,638	35,635,638	35,753,085	37,533,182
Library and Recreation Charges	-	-	-	-	-
Capital Improvement Projects	-	-	-	-	-
Other Reimbursements and Chgs for Svcs	10,761,163	10,950,109	11,430,171	11,250,055	12,710,985
TOTAL - GENERAL FUNDS	\$ 368,054,363	\$ 361,336,443	\$ 367,057,173	\$ 371,790,216	\$ 347,277,305
SPECIAL FUNDS					
Taxes Other Than Property					
Transient Occupancy Taxes	\$ 3,619,532	\$ 3,645,000	\$ 3,645,000	\$ 4,080,000	\$ 4,247,000
Parking and Business Improvement Taxes	698,346	709,000	709,000	709,000	869,000
Other Taxes	3,895,820	3,851,729	3,851,729	3,653,335	4,080,026
Use of Money and Property					
Interest on Investments	3,023,796	2,326,877	2,291,877	2,503,500	1,928,789
Other Use of Money and Property	9,491,259	9,686,300	9,686,300	9,725,228	9,618,221
Sundry Revenues	-	-	-	-	-
Reimbursements and Charges for Services					
Licenses and Permits	3,422,760	3,245,481	3,245,481	4,205,129	3,592,142
Employment and Training Grants	6,185,530	2,533,959	2,417,488	2,374,757	943,000
Capital Improvement Projects	59,018,356	8,052,058	12,849,052	7,070,718	15,198,120
CDBG	10,291,785	9,976,259	9,976,259	5,752,206	10,881,380
Proposition A & C	11,029,947	11,359,176	11,359,176	6,851,202	7,429,462
Other Government Agencies	56,139,297	33,519,920	40,774,004	42,620,075	54,598,923
Charges for Current Services	1,439,483	1,431,913	1,431,913	1,434,478	1,661,032
Interfund Charges	545,491	575,497	575,497	533,327	672,013
Other	21,225,463	21,539,656	22,039,656	22,830,032	18,697,701
TOTAL - SPECIAL FUNDS	\$ 190,026,859	\$ 112,452,825	\$ 124,852,432	\$ 114,342,986	\$ 134,416,808
INTERNAL SERVICE FUNDS					
Use of Money and Property					
Interests on Investments	\$ 3,889,916	\$ 3,359,000	\$ 4,354,739	\$ 1,929,548	\$ 1,630,000
Other Use of Money and Property	2,157,779	2,165,200	2,165,200	2,160,436	2,335,200

INTERNAL SERVICE FUNDS (continued)	FY 02 Actual	FY 03 Adopted	FY 03 Adjusted	FY 03 Estimated Actual	FY 04 Proposed
Charges for Current Services					
Civic Center	11,508,491	555,600	555,600	668,359	609,436
General Services	33,609,058	38,580,179	38,580,179	33,925,804	33,870,080
Insurance	18,508,356	18,490,055	18,490,055	23,060,154	32,882,007
Fleet	24,188,410	25,404,730	25,404,730	24,790,663	23,809,361
Employee Leave Time and Other Benefits	112,178,314	118,909,754	118,909,754	108,825,759	126,033,002
Sundry & Other Revenues	3,019,986	1,806,038	1,806,038	2,291,093	1,503,455
Interfund Transfers	-	-	-	-	-
TOTAL - INTERNAL SERVICE FUNDS	\$ 209,060,311	\$ 209,270,556	\$ 210,266,295	\$ 197,651,817	\$ 222,672,541
TIDELANDS FUNDS					
Use of Money and Property					
Interest on Investments	\$ 10,794,462	\$ 9,810,859	\$ 9,810,561	\$ 8,921,201	\$ 5,387,144
Other Use of Money and Property	69,150,371	62,826,854	96,565,644	96,843,369	79,432,115
Other Revenues					
Sundry	255,191	51,199	51,199	261,283	50,699
Interfund Charges/Transfers	53,366,673	20,170,334	22,893,134	25,513,939	20,436,552
From Other Agencies	1,684,657	609,322	609,322	1,661,881	574,322
Capital Improvement Projects	-	-	-	-	-
Licenses and Permits	(39,232)	-	-	12,150	-
Charges for Services	21,704,073	25,757,535	25,757,535	23,655,707	25,032,895
Fines & Forfeitures	139,130	180,500	180,500	164,197	181,000
TOTAL - TIDELANDS FUNDS	\$ 157,055,325	\$ 119,406,603	\$ 155,867,894	\$ 157,033,728	\$ 131,094,727
ENTERPRISE FUNDS					
Use of Money and Property					
Interest on Investments	\$ 5,194,738	\$ 3,718,030	\$ 3,718,030	\$ 3,110,160	\$ 25,843,392
Other Use of Money and Property	16,489,874	34,569,358	34,569,358	29,999,566	12,064,959
Licenses and Permits	1,911,178	1,559,250	1,559,250	2,370,811	1,669,250
Charges for Services					
Gas	63,014,150	83,110,551	83,110,551	75,533,114	92,101,472
Energy Services	-	-	-	-	-
Refuse/Recycling	26,824,754	26,920,446	26,920,446	27,559,636	27,960,993
SERRF	40,800,714	38,511,000	38,511,000	38,758,000	40,313,671
SERRF-JPA	-	-	-	-	-
Towing	5,422,871	5,159,613	5,159,613	5,274,000	5,536,483
Sewer	7,361,400	7,973,900	7,973,900	7,886,400	8,911,400
Water	59,710,476	74,985,000	74,985,000	73,295,000	69,670,000
Airport	5,704,166	1,237,765	1,237,765	4,486,275	15,889,948
Interfund Transfers	-	-	-	-	-
Other/Misc Revenues	3,683,640	3,949,287	3,949,287	4,276,177	5,326,405
TOTAL - ENTERPRISE FUNDS	\$ 236,117,958	\$ 281,694,200	\$ 281,694,200	\$ 272,549,138	\$ 305,287,973
SUBSIDIARY AGENCIES - FUNDS					
Property Taxes	\$ 25,830,234	\$ 22,394,600	\$ 22,394,600	\$ 23,941,000	\$ 26,873,000
Taxes Other than Property	3,309,054	3,414,000	3,414,000	3,548,418	3,708,726
Use of Money and Property					
Interest on Investments	19,583,447	8,439,200	8,439,193	24,833,353	17,605,661
Other Use of Money and Property	16,149,324	17,825,648	17,825,655	24,645,778	20,410,840
Charges for Services	224,684,448	230,196,000	230,196,000	238,721,000	241,500,000
From Other Governmental Agencies	42,181,370	43,563,519	45,256,866	74,686,095	77,402,065
Sundry Revenues	412,888,654	311,767,192	363,988,192	332,313,628	7,882,640
Licenses and Permits	798,459	883,967	883,967	3,645,445	896,703
Interfund Transfers	162,302	1,328,869	1,283,869	6,835,572	1,711,573
TOTAL - SUBSIDIARY AGENCIES	\$ 745,587,293	\$ 639,812,995	\$ 693,682,342	\$ 733,170,289	\$ 397,991,208
TOTAL - REVENUES	\$ 1,905,902,109	\$ 1,723,973,622	\$ 1,833,420,336	\$ 1,846,538,174	\$ 1,538,740,562

